Press Release

Capri Global Capital Limited (CGCL)

July 02, 2020

Ratings

Facilities	Amount (INR crore)	Ratings	Rating Action
Term Loans	1931.09 (Increased from 1498.95)	IVR AA- / Stable (IVR Double A Minus with Stable Outlook)	Revised
Proposed Term Loans	2448.91 (Reduced from 2,881.05)	IVR AA- / Stable (IVR Double A Minus with Stable Outlook)	Revised
Cash Credit	120.00	IVR AA- / Stable (IVR Double A Minus with Stable Outlook)	Revised
Non-Convertible Debentures	0.00 (Reduced from 75.00)	Withdrawn	Withdrawn*
Non-Convertible Debentures	150.00	IVR AA- / Stable (IVR Double A Minus with Stable Outlook)	Assigned
Proposed Non-Convertible Debentures	150.00 (Reduced from 225.00)	IVR AA- / Stable (IVR Double A Minus with Stable Outlook)	Revised
Proposed Commercial Papers	350.00	IVR A1+ (IVR A One Plus)	Reaffirmed
Total	**5150.00**	**(Five Thousand One Hundred and Fifty crore Only)**	

The amount has been paid in full

Details of Facilities are in Annexure 1

Rating Rationale

The revision in the rating takes into account the moderate increase in NPA level during FY20. The rating continues to derive strength from comfortable capital adequacy & leverage position, experienced board of directors & management team, profitable operations and broad network of the Company coupled with strong risk management systems. The ratings are constrained by moderate seasoning of portfolio, geographical concentration and exposure to relatively riskier segments of MSME and CF.

Key Rating Sensitivities

Upward Factor

- Reversing the portfolio de-growth and containing the delinquencies level while continuing the profitability would call for a positive rating action.

Downward Factor

- Substantial rise in NPA levels leading to adverse impact on the profitability calling for a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Comfortable capital adequacy and leverage position:

The CAR of the Company stood at 38.00% (FY19: 34.47%), comfortably above the regulatory requirement of 15% giving the company sufficient headroom to continue on its growth path and expand its portfolio further. The Debt to TNW ratio improved marginally to 1.41x in FY20 from 1.60x in FY19. As the company plans to grow its portfolio in the future and would be increasing its reliance on external borrowings to fund the growth, its overall gearing is expected to increase, but is likely to remain within a comfortable range.

Experienced Board of Directors and Management Team:

The Company's board of directors has qualified professionals with experience in varied fields such as Banking, Insurance, Capital Markets and the Indian Administrative Service.

CGCL has team of experienced personnel who have been associated with the company since long, and heading different verticals relating to lending, Banking & Finance, Risk & Portfolio Management, etc. The support functions of Accounts, Finance and Secretarial Departments are also headed by seasoned professionals with vast experience in the lending business.

Profitable Operations:

CGCL has been able to maintain its net profit growth in FY20 as well. It reported a Net Profit of INR135.72 crore in FY20, up from INR128.68 crore in FY19. The Net Interest Income (NII) has increased to INR327.51 crore in FY20 as against INR293.02 crore in FY19.

Broad network coupled with strong risk management systems:

CGCL has a wide network of over 87 branches in eight states, mainly across the North and West of India. The company has an employee strength of ~1700 employees and is well positioned to sustain the growth in its portfolio. CGCL has adopted the robust practices to build a strong risk management system supported by an efficient MIS platform for effective monitoring of its portfolio. It has a well-defined credit and operations policy in place. The credit underwriting policy ensures rigorous risk assessment with clear division of the sourcing and credit underwriting teams. Field investigation and fraud control checks are strictly followed to reinforce the focus on risk mitigation. The collection and recovery team is independent of the sourcing team to reduce the likelihood of any malpractices.

Key Rating Weaknesses

NPA level has moderately increased in FY20:

The gross & net NPA has moderately increased to 2.69% in FY20 (FY19:1.68%) & 0.89% (0.62%) respectively. However, the same was at acceptable level while comparing with the industry average. In addition to that, CGCL's loans are fully secured by charge on Residential & Commercial properties, which ensures minimal credit loss. In case of MSME, LTV is ~48% and in Construction finance (CF) cash flow cover of ~2.5 times and security cover of ~2 times.

Moderate seasoning of portfolio:

CGCL started lending to MSMEs since last 8 years with an aim to build a portfolio that qualifies for priority sector status. Presently, MSME vertical forms the most pivotal segment for the company. The average tenure for this segment being 11 years. The seasoning of the company's portfolio is moderate given that the MSME loan portfolio has been built up over the last few years only. Experience gained during this time frame has assisted the Company in further strengthening of underwriting and credit processes.

Geographical concentration, especially in its CF business:

The CGCL's CF lending segment is spread across 11 locations and is having a granular & diversified loan portfolio with average ticket size of ~INR 7 crores with around 134 borrowers as on March 31, 2020. The company has made visible improvement in terms of geographical diversification with top three cities constituting around 55% of its CF portfolio in FY20 (FY18: 79%) and top three states constituting ~70% (FY18: 88%) of its MSME portfolio. Furthermore, Mumbai Metropolitan Region along with Pune accounts for around 42% of its CF loans as on March 31, 2020. However, the geographical concentration still remains moderately high in CF segment. The company is of the opinion that the geographical concentration in CF is largely due to concentration of real estate advances in these pockets and it rather helps them in better control over the market, monitoring and recovery. As the company expands its presence, the issue of geographical concentration is expected to be addressed gradually.

Exposure to relatively riskier segments of MSME and CF:

CGCL is directly exposed to the real estate sector through the CF segment, and indirectly in the case of the MSME segment as these loans are secured by property. Though the real estate sector is relatively risky, the CF exposures are secured against cash flows and property of the real estate project of the concerned developer. The receivables from the sale of units in the projects funded by CGCL are also escrowed and a fixed proportion of these sale proceeds flow into CGCL's account. The MSME segment has shown signs of stress with the economic slowdown. The loans to this segment are backed by collateral in the form of property including residential, commercial and industrial as well as plots to mitigate the risk.

Analytical Approach:

Standalone Approach

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

CGCL enjoys strong liquidity with well-matched asset liability position across both short term (up to one year) and long term (greater than one year) tenure buckets. The overall gearing ratio of the company is at comfortable level. As on March 31, 2020 only ~37%

of the total CC limits were utilised. The Company has undrawn term loans amounting to INR.330 crores as on 31st March 2020. The company has sizeable balances (INR303 crore as on March 31, 2020) maintained as cash and liquid investments which further strengthens its liquidity profile.

About the Company

Capri Global Capital Ltd (CGCL) is a Non Deposit Taking – Systemically Important NBFC. CGCL is promoted by Mr. Rajesh Sharma, who is also the Managing Director. The company began its lending business in FY11. The shares of CGCL are listed on the BSE and NSE. CGCL lends to two main segments namely MSMEs and Construction Finance (CF).

Financials (Standalone) **(INR crore)**

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	499.76	578.23
Finance Cost	169.89	215.97
PAT	128.68	135.72
Total Debt	2,153.55	2,062.30
Tangible Net worth	1,349.68	1,459.82
Total Loan Assets	3,246.27	3,055.67
Ratios		
PAT Margin (%)	25.75	23.47
Overall Gearing Ratio(x)	1.60	1.41
Total CAR (%)	34.47	38.00
Gross NPA (%)	1.68	2.69
Net NPA (%)	0.62	0.89

* *Classification of financial numbers is as per Infomerics' standards*.

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	**Amount (INR crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2019-20**	**Date(s) & Rating(s) assigned in 2018-19 (February 06, 2019)**	**Date(s) & Rating(s) assigned in 2017-18**
1	Term Loans	Long Term	1931.09 (Increased from 1498.95)	IVR AA- / Stable	--	IVR AA / Stable	--
2	Proposed Term Loans	Long Term	2448.91 (Reduced from 2,881.05)	IVR AA- / Stable	--	IVR AA / Stable	--
3	Cash Credit	Long Term	120.00	IVR AA- / Stable	--	IVR AA / Stable	--
4	Non-Convertible Debentures	Long Term	0.00 (Reduced from 75.00)	Withdrawn	--	IVR AA / Stable	--
5	Non-Convertible Debentures	Long Term	150.00	IVR AA- / Stable	--	--	--
6	Proposed Non-Convertible Debentures	Long Term	150.00 (Reduced from 225.00)	IVR AA- / Stable	--	IVR AA / Stable	--
7	Proposed Commercial Papers	Short Term	350.00	IVR A1+	--	IVR A1+	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR crore)	Rating Assigned/ Outlook
Term Loans	--	--	Varied up to Mar 2027	1931.09 (Increased from 1498.95)	IVR AA- / Stable
Proposed Term Loans	--	--	--	2448.91 (Reduced from 2,881.05)	IVR AA- / Stable
Cash Credit	--	--	Revolving	120.00	IVR AA- / Stable
Non-Convertible Debentures	--	--	Aug 2029	150.00	IVR AA- / Stable
Proposed Non-Convertible Debentures	--	--	--	150.00 (Reduced from 225.00)	IVR AA- / Stable
Proposed Commercial Papers	--	--	--	350.00	IVR A1+