



## Press Release

### Capital India Finance Limited (CIFL)

**March 20, 2025**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based Long Term Loans – Term Loans	614.16	IVR A/Stable (IVR Single A with stable outlook)	-	Rating Assigned	Simple
Fund Based Long Term Loans – Proposed Term Loans	260.84	IVR A/Stable (IVR Single A with stable outlook)	-	Rating Assigned	Simple
Fund Based Working Capital Facilities – Cash Credit	25.00	IVR A/Stable (IVR Single A with stable outlook)	-	Rating Assigned	Simple
Proposed Non-Convertible Debentures (NCDs)	100.00	IVR A/Stable (IVR Single A with stable outlook)	-	Rating Assigned	Simple
<b>Total</b>	<b>1000.00</b> <b>(Rupees One Thousand crore only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has assigned its rating to the Bank facilities/proposed Non-Convertible Debentures (NCDs) as it derives comfort from the comfortable capitalisation levels, sustained growth in AUM levels, diversified revenue streams and experienced promoters and management. However, the rating strengths are partially offset by average asset quality and inherent risks associated with MSME lending coupled with intense competition.

Infomerics has assigned “Stable” outlook on the expectation of growth in overall financial profile of the company in the near to medium term given the comfortable capitalisation and established track record of the company.

#### Key Rating Sensitivities:

##### Upward Factors



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- Substantial and sustained growth in scale of operations while maintaining comfortable capitalisation, healthy asset quality, liquidity and profitability.

### **Downward Factors**

- Substantial decline in scale of operations, capitalisation levels, profitability and asset quality from the current levels.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Comfortable capitalisation levels**

CIFLs capitalisation remains comfortable with total Capital to Risk-Weighted Assets Ratio (CRAR) of 36.63% as on 31 December 2024 (36.58% in FY24 (period refers from 01<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024)) as against the minimum regulatory requirement of 15%. CIFL has strong net worth of Rs 618.69 crore and low gearing of 1.03x as on 31 December 2024. The capitalisation levels are expected to further improve on the back of the stake sale in its subsidiary “Capital India Home Loans Ltd” (CIHL). CIFL holds 99.82% stake in CIHL and has entered into “Share Purchase Agreement” on 16 October 2024 for selling its stake to “Weaver Services Private Limited” for a consideration of Rs 267 crore. The said stake sale is subject to Reserve Bank of India’s (RBI) approval.

##### **Sustained growth in MSME AUM**

CIFLs MSME AUM has witnessed a sustained growth in last three years on the back of change in business model. Prior to FY20, CIFL was majorly focusing on wholesale lending and given the risks associated with wholesale/corporate lending, the company changed its business model and forayed into “MSME” segment. Due to which, the proportion of wholesale/corporate loans (Real estate, business loans and other loans to NBFCs/HFCs) reduced to 9% of total AUM in 9MFY25 from 93% of total AUM in FY20. Given the rebalancing of portfolio towards MSME segment, the AUM growth was stagnant in the last 3 years and currently stands at Rs 922.19 crore as on 31 December 2024 (Rs 913.04 crore in FY24).

##### **Diversified revenue stream and strong earning profile**

Capital India Finance Ltd (CIFL) is a non-deposit taking middle-layer non-banking financial company (NBFC) registered with the Reserve Bank of India and holds AD-II license from RBI



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for money changing business. CIFL has two revenue sources, income from lending activity and income from forex services. During 9MFY25, Income from lending operations stood at ~87% and income from forex services stood at ~13%.

CIFLs earnings profile has consistently improved in the last three years with total income increasing from Rs 122.76 crore in FY22 to Rs 194.66 crore in FY24. The increase is majorly on account of sustainable increase of income from lending business and income from forex services. Profitability of the company remains stable with Net Interest Margin (NIM) of 6.38% for FY24 (6.29% in FY23). Infomerics expects that the earnings profile of the company to improve substantially in the projected period given the strong capitalisation and further expected capital inflows from stake sale in subsidiary.

### **Experienced promoters and management**

Capital Group is promoted by Mr. Sumit K Narwar, a first-generation entrepreneur, who has mentored and built businesses in Fintech and Financial services space. He currently serves as the Chairman of Capital India Corp Private Limited (CICPL), which holds around 73% stake in CIFL. CICPL is a core investment company registered with RBI and is the promoter entity of Capital India Finance Limited (CIFL) an NBFC, Capital India Home Loans Ltd (CIHL), an HFC and RapiPay Fintech Pvt Ltd (PPI license from RBI and Neo Bank). CIFL is led by Mr. Keshav Porwal (Managing Director) and Mr. Pinank Shah (CEO), each having an experience of more than two decades in financial services.

### **Key Rating Weaknesses**

#### **Average Asset quality**

Given the strategic decision of the management to shift from wholesale lending to MSME lending post 2020, the MSME loan book which was built in last 3-4 years constituting to ~82% of AUM remains unseasoned. Hence, till FY23, GNPA levels were negligible and once the portfolio started seasoning the GNPA levels increased in FY24 and then moderated in 9MFY25 coupled with fresh slippages from unsecured loan book (~15% of AUM), the asset quality deteriorated with GNPA and NNPA increasing to 1.80% and 0.82% respectively in FY24. However, the asset quality is expected to further moderate with seasoning of portfolio



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as reflected in GNPA and NNPA numbers for 9MFY25 which stood at 1.86% and 0.93% respectively.

Going forward, the ability of the company to improve and maintain healthy asset quality amidst growing AUM levels will be a key rating monitorable.

### **Inherent risks associated with MSME lending coupled with intense competition**

CIFL majorly caters to the MSME segment, which is highly vulnerable to downward economic cycles given the low cash flow buffers. Further, the entire ~82% of AUM represents MSME loans, with ~17% of loans falling under 1-90 buckets. The MSME industry is vulnerable to lower economic growth, macro-economic conditions and operational risks, which could adversely impact the company's operations and thus its financial position. CIFL also faces severe competition by other NBFCs and Banks.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

### **Liquidity – Adequate**

CIFL has adequate liquidity with tangible Networth of Rs 618.69 crores and gearing of 1.03 as on 31 December 2024. It also had cash and cash equivalents of Rs 176.62 crore and undrawn bank limits of Rs 50.00 crore and adequately matched ALM profile with no negative cumulative mismatches across various buckets as on 31 December 2024. With the proposed stake sale of its subsidiary for a consideration of Rs 267 crores and will further strengthen the liquidity position of the company.



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### About the Company

Capital India Finance Ltd (CIFL) is a BSE listed middle layer non deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India. CIFL also holds AD-II license from RBI and provides forex services. CIFL has two business verticals, one is lending business, and the other is forex services. The lending operations are carried out through 29 branches across 7 states and the forex business is done separately through 39 dedicated branches. Forex business is done under the brand name “RemitX”

### Financials (Standalone):

	(Rs. crore)	
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	163.43	194.66
PAT	15.05	20.10
Tangible Net worth	584.84	606.10
AUM	920.70	913.04
<b>Ratios</b>		
NIM (%)	6.29	6.38
ROTA (%)	1.23	1.66
Interest Coverage (times)	1.32	1.38
Total CRAR (%)	35.92	36.58
Gross NPA [Stage III] (%)	0.71	1.80
Net NPA [Stage III] (%)	0.34	0.82

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: None**

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loans	Long Term	614.16	IVR A/Stable	-	-	-
2.	Proposed Term Loans	Long Term	260.84	IVR A/Stable	-	-	-
3.	Cash Credit	Long Term	25.00	IVR A/Stable	-	-	-





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4.	Proposed NCDs	Long Term	100.00	IVR A/Stable	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any



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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
Proposed NCDs	-	-	TBD	-	100.00	Proposed to be listed	IVR A/Stable
Term Loans	-	-	-	Up to Nov 2029	614.16	NA	IVR A/Stable
Proposed Term Loans	-	-	-	-	260.84	NA	IVR A/Stable
Cash Credit	-	-	-	Revolving	25.00	NA	IVR A/Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Capital-India-Finance-20mar25.pdf>

### Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

#### Indicative term sheet for the proposed NCDs of Rs 100.00 crore

Issuer	Capital India Finance Limited
Issue Size	Up to 100 crores
Type of Instrument	Secured/Unsecured, Redeemable, Non-Convertible, Rated, Listed Debentures
Coupon Rate	TBD
Objects of the Issue	The proceeds of this Issue shall be utilised for the following purposes: <ul style="list-style-type: none"> <li>General Corporate purposes</li> </ul>



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	<ul style="list-style-type: none"><li>• For the ordinary course of business of the Issuer including repayment/ re-financing of existing debt</li><li>• Onward lending</li></ul>
Security	Unsecured or Secured by a <i>pari passu</i> charge created by way of hypothecation over the Standard loans Receivables with stipulated security cover under trusteeship arrangement.
Tenor	Up to 60 months
Other Covenants	As stipulated as per issuance terms

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**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](http://www.infomerics.com)