



Press Release

Rikalp Capital Private Limited (RCPL)

June 11, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	31.30	IVR BB/Stable (IVR Double B with Stable Outlook)	-	Assigned	Simple
Total	31.30 (Rs. Thirty-one crore and thirty lakhs only)				

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

The rating assigned to the bank facilities of RCPL is on account of healthy asset quality, comfortable capitalisation, and experienced management team. However, these ratings are constrained by nascent stages of operations, geographical concentration risk and intense competition in the industry.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained scaling up its operations by diversifying its loan portfolio geographically, while maintaining healthy asset quality, adequate capital position, liquidity and profitability.

Downward Factors

- Adverse movements in collection efficiency resulting in increased credit costs and thereby impacting the asset quality of the company.
- Substantial deterioration in operations, capital position, liquidity, and profitability.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



Press Release

Healthy asset quality

RCPL's asset quality has remained comfortable with Gross NPA and Net NPA at 0.10% and 0.09% respectively for FY23 (refers to period April 1st, 2022, to Mar 31, 2023), which has increased further to 0.17% and 0.15% respectively as per 9MFY24 results. The company follows 180+ DPD NPA recognition norms, resulting in lower NPA in the books of accounts. As on March 31, 2023, only 0.40% and 0.10% of the total portfolio aged more than 90 DPD and 180 DPD respectively. However, the portfolio is moderately seasoned and the asset quality is expected to moderate further as the portfolio gets seasoned.

Comfortable capitalization

RCPL has comfortable capitalization with tangible net worth of Rs.5.04 crore in FY23 (Vis-à-vis Rs.2.24 crore in FY22). Net worth has improved on back of equity infusion and retention of profits. The overall CRAR stood comfortable at 48.00% as on March 31st, 2023. RCPL has been maintained CRAR above the minimum required limit of 15% for NBFCs as per regulatory requirements.

Experienced management team

The company is promoted by Mr. Prashant Sharma and Mr. Ramakant Tank, both with an experience exceeding 15 years in banking and NBFC sector. The directors are ably supported by qualified and well experienced management team. The management is aware of the risks associated with the segment and has put in place an elaborate credit policy for on-boarding and sanction processes.

Key Rating Weaknesses

Nascent stages of operations

RCPL scale of operations remains low with assets under management (AUM) of Rs 13.43 crore (Owned Portfolio-Rs. 11.65 crore and Assigned Portfolio-Rs. 1.78 crore) in FY2023 given the nascent stages of operations as the commercial operations of the company started



Press Release

only in FY2022. However, it has grown from Rs. 3.25 crore in FY2022. Going forward, the ability of the company to aggressively grow its loan book will be a key rating monitorable.

Geographical concentration risk

RCPL is operating currently in state of Rajasthan which accounts for 100% of the total loan portfolio and hence is exposed to single state concentration risk.

Intense Competition

RCPL operates in a highly competitive industry with stiff competition from other NBFCs and banks. The lending industry focused on small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/ NBFCs](#)

[Criteria on Rating Outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on withdrawal](#)

Liquidity – Adequate

RCPL has adequate liquidity marked by adequate Capital adequacy ratio of 48.00% on March 31, 2023, and 37.08% in 9MFY2024 which is well above the stipulated regulatory norm of 15%. The average collection efficiency on current demand for the last 12 months ended February 2024 is ~ 94.47%, Apart from it, the company had cash and cash equivalents of about Rs. 5.32 crore as on March 31st, 2023. RCPL has adequately matched ALM position with no negative cumulative mismatches across various buckets.

About the Company

Rikalp Capital Private Limited (formerly known as Sethi Securities private Limited) is an RBI-registered Non-Deposit Taking NBFC dedicated to enhancing financial inclusion. Sethi Securities Private Limited was established in the year 1997 and was later purchased by the



Press Release

existing promoters in FY2021. The company got its name changed with the approval of RBI in October 2022 and is now known as Rikalp Capital Private Limited. The company then started its operations in FY2022 with the primary objective of serving the underserved with tailored and accessible financial services in the state of Rajasthan.

Financials (Standalone):

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	0.63	2.10
Interest Expenses	0.17	0.76
PAT	0.03	0.19
Total Debt	1.56	12.88
Tangible Net Worth	2.24	5.04
Total Loan Assets	3.05	11.65
Overall Gearing Ratio (x)	0.70	2.55
Gross NPA (%)	0.00	0.10
Net NPA (%)	0.00	0.09
CRAR (%)	72.82	48.00

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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.	Fund Based Bank Facilities – Term Loans	Long Term	31.30	IVR BB/ Stable	-	-	-



Press Release

Name and Contact Details of the Rating Director:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit 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 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.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	31.30	IVR BB/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Rikalp-Capital-june24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.