Press Release

Dhanvarsha Finvest Limited (DFL)

June 17th, 2022

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action	Complexity Indicators
1	Long Term Fund Based Bank Facilities – Term Loans	174.76 (Increased from INR63.21 Crore)	IVR BBB / Positive outlook (IVR Triple B with Positive outlook)	Reaffirmed; Outlook revised to Positive from Stable	Simple
2	Proposed Long Term Bank Facilities	0.24 (Decreased from INR108.79 Crore)	IVR BBB / Positive outlook (IVR Triple B with Positive outlook)	Reaffirmed; Outlook revised to Positive from Stable	Simple
3	Short Term Bank Facilities – Overdraft	0.00 (Previous INR3.00 Crore)*	--	Withdrawn	Simple
	Total	**175.00**			

**The facility rating stands withdrawn as the same had been closed.*

Details of Facilities are in Annexure 1

Detailed Rationale

The affirmation of rating assigned to the bank facilities of Dhanvarsha Finvest Limited (DFL) continues to derive strength from its experienced promoters backed by reputed board members, comfortable capitalization along with well demonstrated support from the promoter group and further promising equity infusion from global industry players, healthy operational indicators backed by granular nature of loan book, comfortable asset quality, diversified resource funding profile along with increasing lenders base. However, limited vintage of portfolio and competitive nature of industry are the rating constraints.

Outlook has been revised to positive with the growing AUM along with the overall improvement in performance in FY22 and promising equity infusions in the company. Furthermore, the improvement in performance is expected to continue in FY23 and beyond with respect to Revenue generation, profitability, AUM size (on book as well as off book), ROTA, RONW, etc.

This is majorly on account of increasing lenders base and equity infusions made in the company along with concentrated focus of the company in differentiating its lending approach with concentration more towards Gold and business loan.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial & sustained scaling up its AUM, while maintaining the asset quality indicators, adequate capital position and profitability

Downward rating factor(s)

- Any substantial decline in scale of operations, asset quality and/or capitalization levels.

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Experienced promoters backed by reputed board members:***

Dhanvarsha Finvest Limited (DFL) is promoted by the Wilson Group of Mumbai. Wilson Holdings Pvt Ltd., is the flagship holding Company of the Group and owns over 60% of DFL. The Group has diversified business interests including retail lending, institutional broking and advisory services, real estate investments, agro commodities trading and investing in sustainable infrastructure projects. Wilson Holdings is closely held by members of the Mehta family and their investment trust. DFL is a completely independent and professionally managed company, with a board that comprises of 5 Independent Directors and 3 Non - Executive Directors. Its Chairman, Mr. Rakesh Sethi, has been on boards of various public sector banks with more than 38 years of experience in the banking industry. The other board members include Mr. Nirmal Momaya, Mr. K.P. Raghuvanshi, Mrs. Abha Kapoor, Geetu Verma, Minaxi Mehta and Mr. Rajiv Kapoor who all have rich experience across various industries. The Board is further strengthened with the appointment of Mr Atwood Porter Collins carrying more than 22 years in global investment experience, he is the Co-founder of Seawolf Capital. Partner at Front Point – featured in the book & movie 'The Big Short'.

The management team members include Mr. Rohanjeet Singh Juneja (MD & CEO) , Mr. Karan Desai (Whole Time Director & CBO) both carry renowned carries experience of more than 17 years and 15 years respectively in the financial and capital markets and is supported by other veterans members of the industry in the management panel. The Board of Directors play an active role in overseeing the company's business operations including strategic decisions, policy formulation and risk management. The company boasts of an enterprising and professional management team which will enable them to scale-up its operations, while managing the risks inherent in this type of business.

- ***Comfortable capitalization; demonstrated support from the promoter group and further promising equity infusion from global industry players:***

DFL has comfortable capitalization primarily supported by steady capital infusion from the promoter group, renowned global veteran investors and its key management. The Company's tangible net worth stood at INR160 Crore as on March 31, 2022 as against INR96.35 Crore as on March 31st, 2021. In last two years, the company had made three rounds of equity infusion from the promoter group and others. The equity infusion made in the month of April 2021, amounting to INR 65 Crores by Aviator Emerging Markets which is backed by Marquee International investors. This was the largest round of capital infusion in DFL's, entirely from non-promoter entity which shows the confidence of global industry players in the company and its business. Further, DFL CRAR (%) stood comfortable at ~39% as on FY22 which is well above the regulatory requirement. The overall gearing stood at 1.78x as on March 31st, 2022 (0.84x – March 31, 2021). The company's growth prospects will be supported by the promoter's experience and its resource raising ability. Moreover, the company has further infused in equity amounting to INR34.80 Crore in May, 2022 and which has increased to overall tangible networth as on date to INR194.80 Crore. Further, INR27.40 Crore will be part of equity which be via warrant conversion (over the period of next 18 months).

- ***Healthy operational indicators backed by granular nature of loan book:***

The Company has made significant strides in collaborating with various partners and stakeholders with a robust pipeline for lending to the MSME essential goods sector. With its increasing focus on building a secure, extremely granular and capital efficient loan book, the Company has managed to bring down the average ticket size of the entire business loan book (which shares highest % in entire portfolio) at INR0.04 Crore. DFL's outstanding loan portfolio stood at INR301.81 Crore as on FY22 (off Book Portfolio: INR1.22 crore) when compared to INR101.80 Crore as on March 31st, 2021. The overall revenue of the income increased substantially to INR68.17 Crore in FY22 as compared to INR23.95 Crore and PAT of INR7.38

crore in FY22 as compared to INR0.70 Crore in FY21 backed with the prudent approaches followed by the company in realigning its business process , which has lead to increase in AUM, interest income, and increased in focused on more secured and comfortable ticket size portfolio through a differentiated approach in lending. The Company has further demonstrated growth in its scale of operations by expanding its network to more than 50 branches when compared to 8 branches as on March 2021, which reflects exponential scaling up of branch presence at PAN India level, however concentrated in 2 states viz Maharashtra and Delhi. Going forward, the operational indicators are expected to improve given the healthy capitalization, FLDG backed partners to grow its loan book and increasing focus for collection efficiency.

Moderate asset quality:

DFL has restructured its loan book wherein portfolio mix is being revised and the contribution of MSME business loan and Gold loan carries the leading contribution as compared to LAP and personal Loan. In FY22 MSME business loan contribution in overall portfolio mix was ~ 44% as compared to ~34% in FY21 and that of LAP portfolio is being declined to 9% in FY22 as compared to 32% in FY21. With the revision in the portfolio mix the overall asset quality has improved in FY22 as compared to FY21 and the company has complied with 90 day GNPA recognition well before RBI prescribed deadline of March 2026 which has lead to increase in GNPA level of FY21 which stood at 4.24% (NNPA: 2.29%) and the same got improved to 3.02% in FY22 (NNPA: 2.02%), however where the recognition criteria of 180 days would had being applied the GNPA would be at 2.97% in FY21(NNPA: 1.47%) and 2.95% in FY22 (NNPA: 1.79%). Furthermore, the company's has been able to maintain its asset quality despite of AUM size increasing 3 times in FY22 as compared to FY21. Further, the seasoning of the portfolio level and sustainability in the asset quality will be key monitorable factor.

Diversified resource funding profile along with increasing lenders base:

The funding profile comprises of term loans from NBFCs and banks, Non Convertible Debentures (NCDs) , Principal Protected Market Linked Debentures, as on March 2022. In FY22 the company's lender count has increased to 29 from 9 in FY21 and further the company has also comfortable sanctions in pipeline in the projected period. Going forward, DFL capacity to raise funds in a timely manner to support its liquidity profile and projected growth plans with the focus on reducing cost of capital will be a key monitorable factor.

<u>Key Rating Weaknesses</u>

Limited track record and vintage of portfolio:

Consequent to changing its overall lending strategy and business plan, the company became more selective and granular in its loan disbursements, and largely focused towards retail lending in the form of MSME loans, business loans, gold loans, etc. After resuming fresh disbursements since May 2020, the Company has managed to improve its loan portfolio to ~INR301 Crore as on FY22. Going forward, the ability of the Company to mobilize low cost debt shall be a key rating factor in the scalability of the business.

Given that the portfolio has grown aggressively only post lockdown, the ability to grow its loan book while maintaining low delinquency levels remains to be seen. The Company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity. Also, it is to be noted that, with the Company's change in its lending strategy, the management has put in place stringent underwriting standards and credit policies

Competitive nature of industry:

DFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs and small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, DFL's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach

Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs

Criteria on assigning rating outlook

Liquidity: Adequate

Considering the scale of operations as on March 31st, 2022, the company is well capitalized with a CAR (%) of ~39% as on March 31, 2022. Also, it has adequately matched asset liability profile as on March 31th, 2021 and 2022. With its loan portfolio growing only after May 2020 and medium term debt commitments, the liquidity is expected to be adequate. The company maintains cash and cash equivalent amounting to INR46.73 Crore as on March 31, 2022.

About the Company:

Incorporated in 1994, Dhanvarsha Finvest Limited (DFL) is a listed entity and RBI registered NBFC. A change in management was effective from June 2017 and Wilson Group took over the reigns. Presently, the company is focused on providing secured term loan to MSME/small business/ traders segment for business purposes and also offering 5 Unsecured/Personal Loans in affordable and low ticket size categories largely to the MSME sector employees and business owners. The Company offers a diverse gamut of credit products including Loan Against Property (LAP), Business Loans, Personal Loans and Gold Loans.

Financials:

(INR. Crore)

For the year ended/ As On*	**31-03-2021 (Audited)**	**31-03-2022 (Audited)**
Total Operating Income	23.95	68.17
PAT	0.70	7.38
Total Debt	80.53	286.48
Total Net-worth	96.35	160.81
Total Loan Assets	101.80	301.81
Ratios (%)		
PAT Margin (%)	2.91	10.82
Overall Gearing Ratio (x)	0.84	1.78
GNPA (%)	4.24%	3.02%
NNPA (%)	2.29%	2.02%
CAR (%)	65.72%	39.43%

**Classification as per Infomerics standards*

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

Any other information: N.A.

Rating History for last three years:

		Current Rating (Year 2022-23)	Rating History for the past 3 years

Sl. No.	Name of Instrument/ Facilities	Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 17th, 2022)	Date(s) & Rating(s) assigned in 2020-21 (March 19th, 2021)	Date(s) & Rating(s) assigned in 2020-21 (January 15th, 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 04th, 2020)	Date(s) & Rating(s) assigned in 2019-20 (October 16th, 2019)
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	174.76	IVR BBB / Positive outlook	--	IVR BBB/Stable	IVR BBB-/Positive	--	--
2.	Proposed Long Term Bank Facilities	Long Term	0.24	IVR BBB / Positive outlook	--	IVR BBB/Stable	IVR BBB-/Positive	IVR BBB-/Stable	IVR BBB-/Stable
3.	Proposed Long Term Facilities – Proposed NCDs	Long Term	--	--	Withdrawn	IVR BBB/Stable	IVR BBB-/Positive	IVR BBB-/Stable	--
4.	Long Term Facility – Non Convertible Debentures	Long Term	--	--	Withdrawn	IVR BBB/Stable	--	--	--
5.	Short Term Bank Facilities – Overdraft	Short Term	0.00 (Previous INR3.00 Crore)	--	--	IVR A3+	--	--	--
	Total		**175.00**						

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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	--	--	Up to November, 2024	174.76	IVR BBB / Positive outlook
Proposed Long Term Bank Facilities	--	--	--	0.24	IVR BBB / Positive outlook

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Dhanvarsha-Finvest-june22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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