



Press Release

IREP Credit Capital Private Limited (IREP)

April 17, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities- Term Loans	249.67	IVR BBB/RWDI (IVR Triple B; Rating Watch with Developing Implications)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Rating placed on Watch with Developing Implications	Simple
Proposed Long Term Facilities – Term Loan	50.33	IVR BBB/RWDI (IVR Triple B; Rating Watch with Developing Implications)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Rating placed on Watch with Developing Implications	Simple
Total	300.00 (Rupees Three hundred crore)				

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 placed the ratings of IREP Credit Capital Private Limited (IREP) under 'Rating watch with developing implications' following announcement of IREP's signing a binding agreement with Arpwood Partners Fund 1 LLP (Arpwood), a private equity firm (PE), Narotam Sheksaria Family Office (NSFO) and ANM India Real Estate Advisors LLP (ANM India), an existing shareholder in IREP, for a fresh equity infusion of Rs. 401.6 Crore at closing and future commitments of additional Rs.76 crore. Post completion of the transaction, Arpwood, NSFO, and ANM India are expected to hold 75.9%, 14.3%, and 9.9% shareholding, respectively, on a fully diluted and fully paid-up basis. Arpwood is also expected to initiate a comprehensive review and revamp of IREP's existing business policies, systems, and processes, while strengthening the company's leadership team.



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The ratings continue to derive strength from experienced promoters, consistent growth in AUM and adequate capitalization. The rating strengths are partially offset by weak profitability due to high operating cost, weak asset quality and regional concentration of operations.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained scaling up of its AUM, while improving asset quality indicators, significant improvement in cost to income ratio leading to improved profitability.

Downward Factors

- Substantial decline in scale of operations, capitalization levels and deterioration in asset quality above current levels along with increase in leverage.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Consistent growth in AUM

IREPs total AUM has grown by ~50% on a y-o-y basis to Rs.586.94 crore (on-book: Rs.276.13 crore and off-book: Rs.310.81 crore) in FY24 (period refers to April 1, 2023, to March 31, 2024), which has further grown to Rs.672.10 crore by the end of 9MFY25. The growth in AUM is on the back of co-lending arrangements with leading NBFCs, which has resulted in growth in the off-book portfolio along with the on-book portfolio. However, as per the management, the company will be focusing on increasing its on-book portfolio to decrease its dependency on co-lending, which is expected to improve its profitability.

Healthy Capitalization levels

IREP total Capital Adequacy Ratio (CRAR) stood at 41.16% for FY24, which is well above the minimum regulatory requirement of 15%. As of 9MFY25, total CRAR declined to 34.84% on the back of growth in AUM. The company's capitalization is supported by tangible net worth of Rs.130.00 crore as on March 31, 2024 (vis-à-vis Rs.123.20 crore as on March 31, 2023).



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However, the company reported losses in 9MFY25, leading to a decline in net worth, which stood at Rs.124.32 crore.

Experienced Promoters and Management team

IREP's business operations are overlooked by a team of experienced management led by Mr. Naresh Naik, the Chief Executive Officer who oversees the day-to-day operations. He has over three decades of experience in the financial services industry and has worked for multiple global banks. Company has recruited several senior level management personnel like Mr. Sanjeev Verma, Deputy CEO, who has over three decades of work experience in the banking sector and Mr. Sudip Bhattacharya, CRO, has over two decades of experience in credit underwriting. Recently the company has also appointed Mr. Ramachandran N as Chief Collection Officer, who brings his extensive experience to the role, having previously held similar positions at various NBFCs and has over two decades of experience.

Key Rating Weaknesses

Weak Asset Quality

IREP asset quality remains weak with reported Gross NPA (GNPA) and Net NPA (NNPA) of 3.58% and 3.08%, respectively, in FY24 (Vis-à-vis 2.56% and 2.26% in FY23). It has further deteriorated to 5.81% and 5.02%, respectively, in 9MFY25 primarily due to a change in NPA recognition norms from 180 days to 150 days. Additionally, the company experienced significant staff turnover in Q1FY25, particularly in collections and branch operations, following management changes. This disruption affected collection efforts during the first seven months of FY25, adversely impacting overall performance.

However, to address the rising delinquency levels, the company appointed Mr. Ramachandran N as Chief Collection Officer. According to the management, there has been renewed focus on collections, and the recovery team has reported improvement in collections during Q4FY25. Going forward, the ability of the company to improve collection efficiency and thereby improve its asset quality amidst growth will be a key rating sensitivity.



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Weak profitability coupled with high operating cost

Given the fact that IREP is in growth phase and is expanding its geographical presence through branch growth, operational costs remain high in the last two years. IREP has also recruited senior level management personnel which has also contributed to higher cost to income which stood at 94.73% as of March 31, 2024. In FY24 IREP reported Pre provisioning operating profit (PPOP) of Rs.4.5 crore and PAT of Rs.6.56 crore. This was due to write back of recoveries. The company's operating performance remained subdued in 9MFY25, with a net loss of Rs.5.70 crore on a total income of Rs.79.13 crore.

The company continues to adopt a cautious approach by focusing on collections while limiting disbursements, given the elevated stress levels in its MSME borrower segment. Going forward, IREPs ability to optimize the costs through improving per branch revenue and achieve breakeven will be a key rating monitorable.

Regional concentration of operations

Despite the expansion, IREP operations remains concentrated with Telangana and Andhra Pradesh contributing to ~96% of total portfolio as on March 31, 2024, and hence exposes IREP to geographical concentration risk. However, IREP is planning to diversify its operations in Karnataka and Maharashtra in FY25 which will help them to diversify their operations.

Analytical Approach: Standalone

Applicable Criteria:

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

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

[Criteria for assigning Rating Outlook](#)

[Policy for Placing Ratings on Rating Watch](#)

[Policy on Default Recognition](#)

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

Liquidity – Adequate



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As of December 31, 2024, the company's asset-liability maturity (ALM) profile reflected no cumulative negative mismatches in buckets up to one year, indicating a balanced short-term liquidity position. IREP has also maintained cash and cash equivalents of ~Rs.60.5 crore on 31 December 2024.

About the Company

IREP Credit Capital Private Limited (IREP) is registered with the Reserve Bank of India (RBI) as a non-deposit taking NBFC since July 02, 2008, providing business loans and co-lending. Company offers secured business loans to retail borrowers with a primary focus to be a last mile credit facilitator for MSMEs in India creating a strong social impact.

Financials (Standalone):

For the year ended* As on	INR in Crore	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income	55.18	87.50
PAT	1.43	6.56
Tangible Net worth	123.24	129.97
AUM	391.91	586.94
<u>Ratios</u>		
NIM (%)	13.59	12.23
ROTA (%)	0.62	1.92
Interest Coverage (times)	1.11	1.22
Total CRAR (%)	49.13	41.16
Gross NPA [Stage III] (%)	2.56	3.58
Net NPA [Stage III] (%)	2.26	3.08

* 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:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					September 20, 2024		
1.	Long Term Facilities-Term Loan	Long Term	249.67	IVR BBB/RWDI	IVR BBB/Stable	-	-
2.	Proposed Long Term Facilities-Term Loan	Long Term	50.33	IVR BBB/RWDI	IVR BBB/Stable	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.



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For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
Long Term Bank Facilities-Term Loan	-	-	-	Till August 27	249.67*	-	IVR BBB/RWDI
Proposed Long Term Bank Facilities-Term Loan	-	-	-	-	50.33	-	IVR BBB/RWDI

*O/s As on June 30,2024

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-irep-apr25.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.