



Press Release

IREP Credit Capital Private Limited

September 20, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities- Term Loans	249.67	IVR BBB /Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Proposed Long Term Facilities – Term Loan	50.33	IVR BBB /Stable (IVR Triple B with Stable Outlook)	-	Assigned	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 assigned its rating to the Bank facilities of IREP Credit Capital Private Limited (IREP) based on the consistent growth in AUM, adequate capitalization and experienced promoters and management team. However, rating is partially constraint by weak profitability coupled with high operating cost, average asset quality and regional concentration of operations.

Infomerics Ratings expects outlook to remain stable on account of expected growth in asset under management (AUM) leading to improvement in overall financial profile of the company.

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.



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Downward Factors

- Substantial decline in scale of operations, 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 backed by off-book loan portfolio**

Total AUM has grown by ~50% on 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 628.36 crore at the end of 1QFY25. The growth in AUM on the back of co-lending arrangement entered with two leading NBFC's which has resulted in growth in off book portfolio along with on book portfolio. However, as per 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**

IREF reported Capital Adequacy Ratio (CAR) of 41.16% as of March 31, 2024, against minimum regulatory requirement of 15%. The capitalization is supported by tangible net worth of Rs. 130.00 crores as on March 31, 2024. (Vis-a-vis Rs.123.20 crore as on March 31, 2023). With the current levels of CAR, IREF can grow its AUM by 15-20% in the near term without any further capital infusion.

Infomerics expects capitalization levels to remain comfortable on account of expected fund-raising plans of the company during FY25.

- **Experienced promoters and management**

IREF's business operations are run 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 30 years 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 30 years of work



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experience in the banking sector. Mr. Sudip Bhattacharya, CRO, has 22 years of experience in credit underwriting.

Key Rating Weaknesses

- **Weak profitability coupled with high operating cost**

Due to the company's efforts to expand its retail reach through branch growth, operational costs have been high over the previous few years. Company 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.

However, In FY24 IREP reported Pre provisioning operating profit (PPOP) of Rs.4.5 crore and PAT of Rs.6.56 crore this due write back of recoveries. Infomerics expects profitability to improve from FY25 onwards with expected improvement in AUM along with stable cost-income ratio.

- **Average Asset Quality**

IREP reported GNPA and NNPA of 3.58% and 3.08% respectively in FY24 (2.56% and 2.26% in FY23). It has further deteriorated to 4.01% and 3.46% respectively in Q1FY25. Asset quality has worsened during FY24 and 1QFY25 due to disincentivized cash collections, cash collection which was around 30% at the 4QFY24 has declined to 15% during July 24, asset quality was also impacted due to change in NPA recognition from 180 to 150 days and due to change in collection strategy. As per management, they have been able to focus on collection and the recovery team has seen significant improvement in recovery during 2QFY25. Infomerics expects asset quality to improve from 2QFY25 onwards with expected improvement in collection efficiency.

- **Regional concentration of operations**

IREP operations are concentrated in states of Telangana and Andhra Pradesh, which contribute to ~96% of total portfolio as on March 31, 2024, and hence exposes IREP to higher geographical concentration risk. However, IREP is planning to diversify its operations in states like Karnataka and Maharashtra during FY25 which will diversify its operations.



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Analytical Approach: Standalone

Applicable Criteria:

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

[Criteria for assigning Rating outlook.](#)

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

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

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

Liquidity – Adequate

The asset liability maturity (ALM) profile of the company as on June 30, 2024, had no cumulative negative mismatches across various time buckets and cash and bank balance of Rs.60.54 crore as on March 31,2024 reflects adequate liquidity.

About the NBFC

IREP Credit Capital Private Limited 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):

	(Rs. crore)	
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	55.18	87.50
PAT	1.43	6.56
Tangible Net worth	123.24	129.97
Total AUM	391.91	586.94
Ratios		
NIM (%)	13.59	12.23
ROTA (%)	0.62	1.92
Interest Coverage (times)	1.11	1.22



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For the year ended* / As on	31-03-2023	31-03-2024
Total CAR (%)	49.13	41.16
Gross NPA (%)	2.56	3.58
Net NPA (%)	2.26	3.08

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/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 Facilities – Term Loan	Long Term	249.67	IVR BBB/Stable	-	-	-
2.	Proposed Fund based Facilities – Term Loan	Long Term	50.33	IVR BBB/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private 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



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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.

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Annexure 1: Instrument/Facility Details

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

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-IREP-sep24.pdf>

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



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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.

