



Press Release

Red Fort Capital Finance Company Private Limited (RFCF)

July 19, 2024

Ratings

Instruments	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures	25.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Total		25.00 (Rupees Twenty-five crore 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

Infomerics ratings assigns its ratings to the proposed non-convertible debentures of Red Fort Capital Finance Company Private Limited (RFCF) as it derives strength from comfortable capital structure, secured nature of loans, and experienced promoter and professional management. However, these rating strengths are partially offset by moderate scale of operations, and average asset quality.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained growth in its loan book, while maintaining healthy asset quality, adequate capital position, liquidity, and profitability.

Downward Factors

- Adverse movement in the collection efficiency which increases the credit cost of the company and thereby impacts the asset quality.
- Substantial decline in the loan book, capitalization and or liquidity of the company.



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List of key rating drivers with detailed description

Key Rating Strengths

Comfortable capital structure

RFCF is comfortably capitalized with CRAR of 70.28% in FY24 (Audited) (refers to period April 1st, 2023, to March 31, 2024) (FY23-76.39%) which is well above regulatory guidelines of 15%. RFCF has a net worth and gearing of Rs. 61.27 crore (FY23-Rs. 57.16 crore) and 0.40x (FY23-0.42x) respectively for FY24.

Secured nature of loans

RFCF only provides secured MSME loans, which has collateral in the form of stock receivables, real estate based fixed assets like land and commercial properties with 2-3x security cover.

Experienced promoter and professional management

RFCF is promoted by Mr. Parminder Singh (also known as Parry Singh) who is also the Managing Director and Chief Executive Officer (CEO) of RFCF and has 100% shareholding (directly and indirectly) in the company. Prior to Red Fort Capital, he served as Managing Partner of American Capital Realty, overseeing more than US \$400 million in real estate transactions in the commercial and residential markets in North America. He has also floated many business which includes private equity funds and a global special situations group. In its Private Equity arm, the company invested \$ 1.3 billion in 50 million sq ft of commercial and residential real estate projects across the country.

Key Rating Weaknesses

Moderate scale of operations and moderate earning profile

Given the regional concentration of operations, big ticket size loans along with subdued disbursements, the scale of operations remain moderate. Total AUM of RFCF stood moderate at Rs. 79.72 crore in FY24 when compared to Rs. 73.19 crore in FY23 with a Y-O-Y growth of 8.92%. Also, given the fact that most of the growth in loan book is internal funds and since,



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RFCF started borrowing only in FY23, the disbursements were subdued. Going forward the ability of the company to increase its disbursements and achieve substantial and sustained growth in its loan book will be a key rating monitorable.

RFCF's earning profile remained moderate with NII of Rs.10.07 crore at the end of FY24 (FY23: Rs. 8.65 crore); while NIM remained strong and at 13.17% and 15.26% in FY24 and FY23 respectively.

Average asset quality

RFCFs asset quality remains average with GNPA and NNPA of 2.95% and 2.65% respectively for FY24 when compared to nil NPAs for FY23. Given the big-ticket sized loans with ~70% of loan portfolio having a ticket size of more than Rs 2.00 crore, slippage in a single account will severely impact the asset quality of the company. Going forward, the ability of RFCF to maintain healthy asset quality on a sustained basis will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria of assigning Rating Outlook.](#)

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

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

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

Liquidity: Adequate

RFCF is adequately capitalized with a CRAR of 70.28%, tangible net worth of Rs 61.29 crore and cash and bank balances of Rs 3.21 crore as on March 31, 2024. Also, it has adequately matched asset liability profile as on March 31, 2024.

About the company

RFCF (formerly known as Dahiya Finance and Leasing Private Limited) was incorporated on September 29, 1995, is registered as a non-public deposit accepting NBFC in accordance with



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the guidelines of RBI. The company was acquired by the current promoter, Mr. Parminder Singh in 2011. Post acquisition, the name of the company was changed and a fresh certificate of incorporation with the new name was received. Its operations commenced in 2012. RFCF as NBFC is currently into providing secured business loans and receivable financing to MSMEs for purchase of equipment and working capital needs.

Financials: Standalone

(Rs. crore)

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	14.38	17.24
PAT	4.80	4.11
Tangible net worth	57.16	61.27
Total debt	24.21	24.53
AUM	73.19	79.72
<u>Ratios</u>		
NIM (%)	15.26%	13.17%
Total CRAR (%)	76.39%	70.28%
Gross NPA (%)	0.00%	2.95%
Net NPA (%)	0.00%	2.65%
Overall gearing (x)	0.42x	0.40x
Interest Coverage (x)	6.27x	2.55x

**Calculations as per Infomerics Standards*

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:



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Sr. No	Facility	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-22
1.	Proposed Non-Convertible Debentures	Long Term	25.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	-	-

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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 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.



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

For more information visit www.infomerics.com.

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ANNEXURE I **Details of Facilities**

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
				(Rs. Crore)	
Proposed Non-Convertible Debentures	-	-	-	25.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)

Annexure 2: Facility wise lender details: Not Applicable

Instrument	ISIN	Date of Issuance	Maturity Date	Coupon (%)	Amount (Rs.crore)	Listing Status
Proposed NCDs	-	-	-	-	25.00	Unlisted



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Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

Draft term sheet for the proposed NCDs of Rs 25.00 crore

Issuing entity	Red Fort Capital Finance Company Private Limited
Issue Size	Rs. 25.00 crore
Objects issued	Debentures – Non convertible
Nature of instrument	Rated, secured
Mode of issue	Private placement
Minimum investment	One Lakh
Face Value	Rs. 100000.00
Repayment terms	Interest paid monthly, Principle repayment – end of the tenure.
Maturity	Up to 36 Months
Listing Status	Unlisted
ROI	12%-15%
Purpose	Onward lending
Covenants	Not available

Annexure 4: List of companies considered for consolidated 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.