



## Press Release

### TruCap Finance Limited (TFL)

### [Formerly known as Dhanvarsha Finvest Limited (DFL)]

January 13<sup>th</sup>, 2023

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action	<a href="#">Complexity Indicators</a>
1	Long Term Fund Based Bank Facilities – Term Loans	125.70 (Decreased from INR174.76)	IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)	Revised	Simple
2	Proposed Long Term Bank Facilities	59.30 (Increased from INR0.24 Crore)	IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)	Revised	Simple
	<b>Total</b>	<b>185.00</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in rating to the Bank facilities of TruCap Finance Limited takes into consideration the substantial improvement financial and operational performance in H1FY23, . Further, the improvement in performance is expected to continue in projected period with respect to revenue generation, profitability, AUM size (on book as well as off book), ROTA, RONW, etc which is majorly on account of increasing lenders base and equity infusions made in the company along with concentrated focus of the company towards Gold and secured business loan.

Furthermore, the rating 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 expected equity infusion, healthy operational indicators backed by granular nature of loan book, comfortable asset quality, diversified resource funding profile. However, limited vintage of portfolio and competitive nature of industry are the rating constraints.



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### **Key Rating Sensitivities:**

#### **Upward rating factor(s):**

- Substantial & sustained scaling up its AUM, while improving the asset quality indicators along with 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:***

TruCap Finance Limited (TFL) erstwhile known as Dhanvarsha Finvest Limited 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 TFL. 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. TFL 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, Rushina 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 Sanjay Kukreja (CFO) and Mr Lalit Mohan Chendvankar (CCO) wherein they carry renowned experience of more than 17 years, 29 years and 16 years respectively in the financial and capital markets and are further supported by other veteran 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.



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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 expected equity infusion:***

TFL 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 INR160.81 Crore as on March 31, 2022 (H1FY23: INR200.73 Crore) as against INR96.35 Crore as on March 31st, 2021. In last two years, the company had made more than three rounds of equity infusion from the promoter group and other FPIs (Foreign Portfolio Investors). The equity infusion made in the month of April 2021, amounting to INR65 Crore by Aviator Emerging Markets which is backed by Marquee International investors and (expected further in the projected FY23) the company has signed a Non-binding term sheet with Zeal Global Opportunities Fund, a Category I FPI, (Proposed Investor), for investment up to INR105 Crore in the equity shares, convertible warrants and Non-Convertible Debentures – (TFL has intimated to BSE dated November 17, 2022 regarding the investment amounting to INR105 Crore). These are one of the largest round of capital infusion in TFL's, entirely from non-promoter entity which shows the confidence of global industry players in the company and its business. Further, TFL CRAR (%) stood comfortable at ~39% as on FY22 (H1FY23: 38%) which is well above the regulatory requirement. The overall gearing stood at 1.78x as on March 31<sup>st</sup>, 2022 (0.84x – March 31, 2021). The company's growth prospects will be supported by the promoter's experience and its resource raising ability.

- ***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. TFL's outstanding loan portfolio stood at INR301.81 Crore as on FY22 (H1FY23: INR370.87 Crore v/s H1FY22: INR237.20 Crore) when compared to INR101.80 Crore as on March 31st, 2021. The overall revenue of



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the company has increased substantially to INR69.82 Crore in FY22 (H1FY23: INR56.61 Crore v/s H1FY22: INR26.45 Crore) as compared to INR23.95 Crore in FY21 and PAT of INR7.38 crore in FY22 (H1FY23: INR3.80 Crore v/s H1FY22: INR1.94 Crore) as compared to INR0.70 Crore in FY21 backed with the prudent approaches followed by the company in realigning its business process, which has led to increase in AUM, interest income, and increased focus 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 59 branches as on September 2022 when compared to 8 branches as on March 2021, which reflects exponential scaling up of branch presence at PAN India level, however majorly concentrated in 2 states viz Maharashtra and Delhi. Going forward, the operational indicators are expected to improve given the healthy capitalization, coupled with co-lending arrangement with public and private sector banks to grow its loan book keeping the capital light strategy to grow its loan book and increasing focus for collection efficiency.

### ***Moderate asset quality:***

TFL has recalibrated 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% (Increased to ~90% in H1FY23) as compared to ~34% in FY21 and that of LAP portfolio is being declined to 9% in FY22 (Declined further in H1FY23 at ~5%) 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 led 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 have been applied the GNPA would be at 2.97% in FY21 (NNPA: 1.47%) and 2.95% in FY22 (NNPA: 1.79%). Furthermore, the company has been able to maintain its asset quality despite of AUM size increasing 3 times in FY22 as compared to FY21. Now, as per the recent H1FY23 results overall GNPA stood at 2.79% and NNPA at 1.76%. Further, the seasoning of the portfolio level and sustainability in the asset quality will be key monitorable factor.



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### ***Diversified resource funding profile:***

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 more than 29 from 9 in FY21 and further the company has also comfortable sanctions in pipeline in the projected period. Going forward, TFL 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.

### **Key Rating Weaknesses**

#### ***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 business loans and gold loans, etc. After resuming fresh disbursements since May 2020, the Company has managed to improve its loan portfolio to ~INR454.90 Crore in H1FY23. 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 in projected periods. 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:***

TFL 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, TFL'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





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### Applicable Criteria:

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

[Criteria on assigning rating outlook](#)

### Liquidity: Adequate

Considering the scale of operations as on March 31<sup>st</sup>, 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 31<sup>th</sup>, 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 INR57.59 Crore as on March 31, 2022 (H1FY23: INR32.49 Crore).

### About the Company:

Incorporated in 1994, Dhanvarsha Finvest Limited is a listed entity and RBI registered NBFC. A change in management was effective from June 2017 and Wilson Group took over the reigns. The company is listed on the BSE.

The company's name got changed from Dhanvarsha Finvest Limited to TruCap Finance Limited (TFL) effectively from August 4, 2022.

Presently, the company is focused on providing secured Gold Loans and unsecured business loan to MSME/small business/ traders segment for business purposes 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	69.82
PAT	0.68	7.37
Total Debt	80.53	286.48
Total Net-worth	96.35	160.81
Total Loan Assets	102.27	301.81



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Ratios (%)		
PAT Margin (%)	2.91	10.56
Overall Gearing Ratio (x)	0.84	1.78
GNPA (%)	2.97	3.02
NNPA (%)	1.47	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:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years					
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 17 <sup>th</sup> , 2022)	Date(s) & Rating(s) assigned in 2021-22 (March 17 <sup>th</sup> , 2022)	Date(s) & Rating(s) assigned in 2020-21 (March 19 <sup>th</sup> , 2021)	Date(s) & Rating(s) assigned in 2020-21 (January 15 <sup>th</sup> , 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 04 <sup>th</sup> , 2020)	Date(s) & Rating(s) assigned in 2019-20 (October 16 <sup>th</sup> , 2019)
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	125.70	IVR BBB+ / Stable outlook	IVR BBB / Positive outlook	--	IVR BBB/Stable	IVR BBB-/Positive	--	--
2.	Proposed Long Term Bank Facilities	Long Term	59.30	IVR BBB+ / Stable outlook	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	--	--	--



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5.	Short Term Bank Facilities – Overdraft	Short Term	0.00	--	--	--	IVR A3+	--	--	--
	<b>Total</b>		<b>185.00</b>							

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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 January, 2027	125.70	IVR BBB+/ Stable outlook
Proposed Long Term Bank Facilities	--	--	--	59.30	IVR BBB+/ Stable outlook

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/DFL-JAN23.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](http://www.infomerics.com).