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Disclaimer: Mr. D R Dogra who is a Director at Infomerics Valuation and Rating Private Limited (Infomerics) is also on the Board of Capri Global Capital Limited as Independent Director. However, he did not participate in the rating exercise for this Company, including the rating decision.

Capri Global Capital Limited (CGCL)

October 03, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (NCDs)	150.00	IVR AA/ Positive (IVR Double A with Positive outlook)	IVR AA/ Positive (IVR Double A with Positive outlook)	Reaffirmed	Simple
Proposed Non-Convertible Debentures (NCDs)	150.00	IVR AA/ Positive (IVR Double A with Positive outlook)	IVR AA/ Positive (IVR Double A with Positive outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loans	7579.18 (Increased from Rs.6946.76)	IVR AA/ Positive (IVR Double A with Positive outlook)	IVR AA/ Positive (IVR Double A with Positive outlook)	Reaffirmed	Simple
Long term Bank Facilities – Proposed Term Loan	10.82 (decreased from Rs. 643.24 crore)	IVR AA/ Positive (IVR Double A with Positive outlook)	IVR AA/ Positive (IVR Double A with Positive outlook)	Reaffirmed	Simple
Long term Bank Facilities – Cash Credit	505.00 (Increased from Rs 105.00 Crore)	IVR AA/ Positive (IVR Double A with Positive outlook)	IVR AA/ Positive (IVR Double A with Positive outlook)	Reaffirmed	Simple
Short Term – Commercial Paper Issue	350.00	IVR A1+ (IVR A One Plus)	IVR A1+ (IVR A One Plus)	Reaffirmed	Simple
Total		8,745.00 (Rupees Eight Thousand Seven Hundred Forty-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.



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Detailed Rationale

As on 30 September 2024, the company has got fresh term loan sanctions of Rs 1500.00 Crores from State Bank of India. There is also reduction in term loans due to periodic repayments. Accordingly, the proposed and outstanding limits/instruments have been reclassified.

Infomerics ratings has reaffirmed its ratings assigned to the various credit facilities of Capri Global Capital Limited (CGCL) as it continues to derive comfort from the experienced board of directors and management team, comfortable capital adequacy ratio (CRAR) and leverage position, consistent improvement in overall financial profile, average, albeit improving asset quality indicators, broad network coupled with strong risk management systems and diversified product profile. However, ratings are constrained by geographical concentration especially in Construction Finance business and inherent risks associated with lending business.

The outlook remains “Positive” on the back of expectations from Infomerics that the company will achieve significant growth in overall AUM, specifically in gold loan segment backed by strong capitalisation levels, increased branch network and co-lending tie-ups which is expected to result in improved profitability while maintaining stable asset quality.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in its loan portfolio, while maintaining healthy asset quality, strong capitalization, and profitability.

Downward Factors

- Lower than expected growth in AUM and/or decline in liquidity and capitalization.
- Substantial increase in slippages/decrease in collection efficiency resulting in deterioration in asset quality NPAs.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capital adequacy and leverage position

The overall CRAR of the Company stood comfortably at 25.42% as on 30 June 2024 (26.62% as on 31 March 2024) which is well above the regulatory requirements, giving the company sufficient headroom to continue its growth path and expand its portfolio further. The company raised Rs 1,440 Crores during FY23 which helped the company to maintain comfortable capitalisation despite the growth in AUM. The overall gearing ratio stood comfortable at 2.01x for FY24 (FY23: 1.60x). Such adequate capitalization will help the company to sustain growth in the short-medium term.

Consistent improvement in overall financial profile

CGCL's financial profile has consistently improved in the last five years on the back of the growth witnessed in its AUM. AUM has increased from Rs 4,885.56 Crores in FY22 to Rs 11,443.84 Crores in FY24 and further to Rs 13,299.04 crores in Q1FY25 mainly on account of substantial growth in the gold loan segment. On the back of which, the company has reported a PAT of Rs 198.06 crore (Rs 141.52 crore in FY23) over a total income of Rs 1,783.19 crore in FY23 (Rs 1,149.99 crore in FY23). Infomerics is of the opinion that profitability will improve with the improved operational efficiency of the new branches. NIM has increased to 9.94% in FY24 when compared to 9.06% in FY23 on account of improved interest spreads, especially in gold loan segment.

Average, albeit improving asset quality indicators:

The asset quality of the company has improved post COVID with GNPA improved to 2.16% in FY24 (1.92% in FY23) as compared 3.81% in FY21. GNPA has marginally increased in FY24 due to fresh slippages in construction finance portfolio. As per management CGCL's entire exposure to all its borrowers is adequately secured, which ensures minimum credit loss and CGCL has also taken necessary steps to reduce the overdues. On the back of which, GNPA has further reduced to 2.11% in Q1FY25. Also, the collection efficiency remains comfortable at ~99% for the last 12 months ending September 2024. Going forward, the ability of the



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company to control incremental slippages and maintain healthy asset quality in the near to medium term will remain a key rating monitorable.

Diversified product profile

CGCL has a diversified product profile/base of MSME loans, construction finance, indirect lending and gold loans. Indirect lending is financing to other NBFCs engaged in MSME Lending, Microfinance and fintech based NBFCs. CGCL has entered into corporate selling arrangements with commercial banks to distribute the banks' new car loan products for a fee consideration. This is an asset light model, and the current tie-ups are with 10 banks. Further, the Company has entered into co-lending tie-ups with State Bank of India, Union Bank of India, Punjab & Sind Bank, Central Bank of India and Bank of India for lending to MSME segment based on the co-lending mechanism announced by RBI. Through this collaboration, CGCL aims to disburse MSME loans pan-India. Moreover, the company is planning to further diversify and improve its revenue source in the near term.

Experienced Board of Directors and Management Team

CGCL's board of directors has qualified professionals with experience in varied fields such as Banking, Insurance, Capital Markets, and the Indian Administrative Service. It has a team of experienced personnel who have been associated with the company for a long period and heading different verticals relating to lending, Banking & Finance, Risk & Portfolio Management, etc. The support functions of Accounts, Finance and Secretarial Departments are also headed by seasoned professionals with vast experience in the lending business. The Company has 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.

Broad network coupled with strong risk management systems.

CGCL has a wide network of over 968 branches in 13 state and UTs as on 30 June 2024 mainly across the North and Western states of India. CGCL has an employee strength of 10092 and is well positioned to sustain the growth in its portfolio. CGCL has adopted robust



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practices to build a strong risk management system supported by an efficient MIS platform for effective monitoring of its portfolio. It has a well-defined credit and operations policy in place. The credit underwriting policy ensures rigorous risk assessment with clear division of the sourcing and credit underwriting teams. Field investigation and risk containment units are strictly followed to reinforce the focus on risk mitigation. The collection and recovery teams are independent of the sourcing team to reduce the likelihood of any malpractice.

Key Rating Weaknesses

Geographical concentration, especially in its construction finance business:

CGCL's operations are regionally concentrated with top three states constituting ~83% of MSME portfolio as of June 2024, while top three states accounted for ~77% of Construction Finance portfolio as of June 2024 and top three states constituting ~54% of gold loan as of June 2024 in Gold loan portfolio. The geographical concentration remains moderately high in CF segment. The company is of the opinion that the geographical concentration in CF is largely due to concentration of real estate advances in these pockets and it rather helps them in better control over the market, monitoring and recovery. In case of gold loan portfolio, since the product was launched in August 2022 and is in expansion mode, the concentration is high. As the company expands its presence, the issue of geographical concentration is expected to be addressed gradually.

Analytical Approach: Standalone

Applicable Criteria:

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

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

[Criteria of assigning Rating Outlook](#)

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

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



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Liquidity: Strong

CGCL has maintained strong liquidity with well-matched asset liability position across both short term (up to one year) and long term (greater than one year) tenure buckets. Liquidity comfort is also marked by adequate liquid assets (including cash/bank balances and investments) amounting to ~ Rs 721.27 Crore (includes cash/bank balances of Rs 270.21 Crore and Liquid Investments amount to Rs 451.06 Crore) as on August 31, 2024. It also has a sufficient cushion in the form of undrawn limits of its working capital limits (~Rs 155 Crore), securitisation lines of Rs 123.00 crore and undrawn term loan limits of Rs 1,300.00 Crores as on August 31, 2024.

About CGCL

Incorporated in 2011, CGCL is a Non-Deposit Taking – Systemically Important NBFC providing MSME loans, construction finance, indirect lending and gold loans. CGCL is promoted by Mr. Rajesh Sharma, who is also the Managing Director of the company. CGCL has a subsidiary Capri Global Housing Finance Limited (CGHFL). CGCL's equity is listed on BSE and NSE with the promoter and promoter group holding 69.89 percent as on 30 June 2024.

Financials (Standalone)*:

Rs in Crores

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	1,149.89	1,783.19
PAT	141.52	198.06
Assets Under Management	7,654.44	11,443.84
Tangible Networth	3,357.76	3,531.92
Total debt	5,388.39	7,110.65
Ratio's		
NIM (%)	9.06	9.94
Overall Gearing (Times)	1.60	2.01



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Total CRAR (%)	39.86	26.62
Gross NPA [Stage III] (%)	1.93	2.16
Net NPA [Stage III] (%)	1.38	1.18
Interest coverage (times)	1.46	1.38

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Provided above

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 – (26 March 2024)	Date(s) & Rating(s) assigned in 2022-23 – (31 March 2023)	Date(s) & Rating(s) assigned in 2022-23 – (1 Feb 2023)	Date(s) & Rating(s) assigned in 2021-22 (21 March 2022)	Date(s) & Rating(s) assigned in 2020-21 (Feb 05, 2021)
1.	Non-Convertible Debentures	Long Term	150.00	IVR AA/Positive	IVR AA/Positive	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI
2.	Proposed Non-Convertible Debentures	Long Term	150.00	IVR AA/Positive	IVR AA/Positive	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI
3.	Bank Loan Facilities – Term Loans	Long Term	7579.18	IVR AA/Positive	IVR AA/Positive	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI
4.	Bank Loan Facilities – Working Capital Facilities	Long Term	505.00	IVR AA/Positive	IVR AA/Positive	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI
5.	Bank Loan Facilities – Proposed	Long Term	10.82	IVR AA/Positive	IVR AA/Positive	IVR AA/Stable	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 – (26 March 2024)	Date(s) & Rating(s) assigned in 2022-23 – (31 March 2023)	Date(s) & Rating(s) assigned in 2022-23 – (1 Feb 2023)	Date(s) & Rating(s) assigned in 2021-22 (21 March 2022)	Date(s) & Rating(s) assigned in 2020-21 (Feb 05, 2021)
6.	Commercial Paper Programme	Short Term	350	IVR A1+	IVR A1+	IVR A1+	IVR A1+	IVR A1+	IVR A1+

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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.

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: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate	Tenor/ Maturity	Listing Status	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (NCD)	INE180C07072	9-Aug-2019	10.23%	9-Aug-2029	Listed	150.00	IVR AA/ Positive
Proposed Non-Convertible Debentures (NCD)	-	-	-	-	-	150.00	IVR AA/ Positive
Long Term Fund Based Facility – Term Loan	-	-	-	Up to October 2030	-	7,579.18	IVR AA/ Positive
Long Term Fund Based Facility – Proposed Term Loan	-	-	-	-	-	10.82	IVR AA/ Positive
Long Term Fund Based Facility – Working Capital Facilities	-	-	-	Revolving	-	505.00	IVR AA/ Positive
Commercial Paper Issue	-	-	-	-	-	350.00	IVR A1+

Annexure 2: Facility wise lender detail:

<https://www.infomerics.com/admin/prfiles/Len-Capri-Grobal-3oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: The covenants mentioned below are applicable to all NCDs rated by IVR



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NCD issue of Rs.150.00 crore

ISIN	INE180C07072
Issue	Secured, Rated, Listed and Redeemable Non-Convertible Debentures
Nature of Instrument	Secured
Debenture Trustee	Catalyst Trusteeship Limited
Participation Amount	INR150.00 crore
Purpose	Used for various finance activities
Tenor	10 years
Principal Repayment	Bullet Repayment at the end of the tenure
Security Summary	The Company shall maintain security cover of 1.25x of the entire redemption amount throughout the tenure of NCD
Coupon %	10.23%
Coupon Payment Frequency	Quarterly and at Maturity
Date of Allotment	9-Aug-19
Redemption	9-Aug-29
Covenants	
Financial Covenants	<p>Default in payment In case of default in payment of principal redemption on the due dates, penal interest of at least @2% p.a. will be payable by the Issuer for the defaulting period on the defaulted amount.</p> <p>Security Creation In case of delay od security creation beyond 60 days from the date of closure of Issue, the Company shall either refund the subscription amount along with interest at coupon rate pr shall pay penal interest of at 2% p.a. over the coupon rate for period of delay in creation of security beyond 60 days from date of closure of the Issue.</p>
Non- Financial Covenants	<p>General On the happening of any of the event of default, in addition to the rights specified above, the debenture holders / debenture trustee shall have the right as indicated in the SEBI Regulations / Companies Act, 2013 from time to time.</p>

Term sheet for the proposed NCDs – Rs 150.00 crore.

ISIN	Not available (proposed)
Issuer	Capri Global Capital Limited
Issue	Non-Convertible Debentures (NCDs)
Mode of placement	Public issue/Private placement
Issue size	Up to Rs 500.00 crore
Tenure	Up to 5 years



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Issue date	To be decided
Maturity date	To be decided
Listing status	To be listed
Coupon (%)	To be decided
Security	NCDs are proposed to have charge by way of hypothecation of standard receivables, including loan book, unencumbered cash and bank balance, investments made by Capri Global Capital Ltd in mutual funds, term deposits with banks, etc.





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Annexure 4: List of companies considered for consolidated/Combined analysis: Nil

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.

