



## Press Release

### Dhani Loans and Services Limited

#### Revised Press Release

**August 25, 2023**

This is with reference to the Press Release dated December 9, 2022. The revised PR stands as follows:

The revised press release added the Adequacy of Credit Enhancement Structure, Transaction Structure & Detailed explanation of covenants of the rated instrument/facilities as per the regulator guidelines.

Link to the press release dated December 9, 2022 published on Infomerics' website:  
<https://www.infomerics.com/admin/uploads/pr-dhani-loans-9dec2022.pdf>

#### **Ratings**

<b>Facilities/Instrument</b>	<b>Amount (INR crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Non-Convertible Debentures (NCDs)	428.26	IVR A/CWDI [IVR A Credit watch with developing implications]	Revised	Complex
Proposed Non-Convertible Debentures (NCDs)	0.00 (Reduced from 571.74)	Withdrawn*	Withdrawn	Simple
Long-Term Fund based Facilities - Term Loans	213.12	IVR A/CWDI [IVR A Credit watch with developing implications]	Revised	Simple
Long-Term Fund based Facilities - Cash Credit	0.00 (Reduced from 250.00)	IVR A/CWDI [IVR A Credit watch with developing implications]and simultaneously Withdrawn**	Revised and withdrawn	Simple
Proposed Long-Term Fund based Facilities	0.00 (Reduced from 2036.88)	Withdrawn*	Withdrawn	Complex
<b>Total</b>	<b>641.38</b>	<b>INR Six Hundred Forty-One Crore and Thirty-Eight Lakhs only</b>		

\* Rating withdrawn as the company is not going ahead with the proposed facilities as envisaged and in line with Infomerics withdrawal policy.



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*\*\* Rating withdrawn based on the no objection from the lender as the company is not utilizing the facilities and the lender is in process of cancelling the limits*

### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating revision for the bank loan facilities and the non-convertible debentures factors the consistently reducing loan book, average asset quality, deteriorating profitability due to significant impairment losses and lower than expected growth in the new business loan book. However, the rating continues to derive comfort from the strong parent support with an established track record of capital raising, experienced promoters and board of directors, strong capitalisation, and adequate liquidity.

The ratings continue to be under “credit watch with developing implications” (CWDI) on account of evolving nature of new business model, which is yet to make a substantial contribution towards company’s financial and business risk profile.

#### **Key Rating Sensitivities:**

##### **➤ Upward Rating Factor:**

Substantial scaling up of its operations from the expected growth in the new loan book portfolio, while maintaining healthy asset quality indicators, adequate capital position and profitability.

##### **➤ Downward Rating Factor:**

Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Strong support from the parent with established track record of raising funds**

Dhani Loans & Services Limited is a wholly owned subsidiary of Dhani Services Limited (DSL) (Formerly Indiabulls Ventures Limited). Its equity shares are listed on NSE and BSE and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. During FY19, the Holding Company (DSL) infused equity capital of INR 2,302.75 Crore into DLSL as well as provided support via Inter Corporate Deposits (ICD).

DSL has raised multiple rounds of capital through placement of its equity shares to specialist tech enabled investors. The last round of such capital was a raise of Rs 800 Crore through preferential share sale to investors led by American fintech investor Ribbit Capital. Some of the distinguished investors are, Ribbit Capital, Clermont Group, Steadview Capital, Toscafund, Think Investments, NWI, Inteligigo Bank, etc.

##### **Experienced promoters backed by reputed board members:**

DLSL's promoter is Dhani Services Limited (formerly Indiabulls Ventures Limited) ('DSL').

Mr. Pinank Jayant Shah, aged 41 years, is a Whole-time Director on our Board and Chief Executive Officer of the Company. He holds a bachelor's degree in commerce from Mumbai University and a master's degree in management studies (Finance) from Jamnalal Bajaj Institute of Management Studies. He has ~20 years of experience in retail lending, corporate lending and fund raising. He is also Group CFO of DSL (parent of DLSL). The company has also appointed Mr. Narendra Jadhav as the new Independent Director, who is currently a Member of Rajya Sabha (nominated by President of India). All the remaining board members also well qualified and have vast experience in their respective fields and contribute significantly in the overall growth of the Company. The company shall benefit from the strong experience of its professional management team which will enable them to scale-up its operations while managing the risks inherent in this type of business.



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### **Strong capitalization:**

DLSL has strong capitalization primarily supported by steady capital infusion from the promoter group and its key management. The Company's Tangible Net Worth stood at Rs 3211.73 Crore as on September 30, 2022. Considering the current scale of operations, the company is strongly capitalized with a CAR (%) of 84.14%. Also, it has adequately matched asset liability profile as on September 30, 2022. The Company's liquidity is strong with cash & bank balances of Rs 628 Crore as on September 30, 2022. The Overall Gearing ratio has improved significantly from 1.75x as at FY19 to 0.20x as on 30 September 2022, as the borrowings reduced over the years. The company has repaid all the bank borrowings in H1FY23 on account of which the net gearing is zero.

### **Key Rating Weaknesses**

#### **Reducing loan portfolio due to adoption of new business model:**

Dhani Group has evolved its business over the last few years and is now aligned towards the online e-tailing business where there are over 10 lac products available on Dhani store, for customers to choose from which are delivered to their residences once the order is placed. This is a combination of the marketplace and warehouse model. Dhani Loans & Services Limited provides credit to customers who want to purchase goods on Dhani store by use of credit. These loans are with a specific end use and short duration in nature. The loans are in nature of a credit limit based on customer profile and their history on Dhani's native app.

The legacy loan book continues to rundown based on customer collections. Decline in legacy loan portfolio is also partly due to sale of loan assets by way of Assignment, subsequently resulting in de-recognition of such assets from the books of the Company. The own book portfolio reduced from Rs 10,633 Crore in FY19 to Rs 4,160 Crore in FY21 to Rs 3,708 Crore and further to Rs 1,633 in H1FY23.

### **Average asset Quality:**

The Gross NPAs increased in percentage terms from 0.80% in FY19 to 10.26% in FY21 to 14.87% in FY22 on the back of the impact of COVID 19 on the legacy book/unsecured loan portfolio which constitutes to 85% of total loan book coupled with continued degrowth in the loan book as per the revised business model of the company. However, due to substantial write-off's/provisions, the GNPA has moderated to 9.18% in H1FY23. Going forward, the



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ability of the company to maintain a healthy asset quality by maintaining low delinquency levels will be a key rating sensitivity.

### **Deteriorating profitability due to significant amount of impairment losses**

Company's profitability has deteriorated in the last 2 years with company reported net losses of Rs 54.10 Crores for FY21 and net loss of Rs 184.28 Crores in FY22. This is mainly on account of collective write off of loans amounting to Rs.362 crore during FY20, Rs.184 crore during FY21 and Rs.510 crore during FY22. NIM has also reduced from 13.89% in FY20 to 5.32% in FY22 on the back of reducing interest income. The company has reported profit of Rs 7.53 Crores in H1FY23 on the back of lower impairment costs. The ability of the company to reduce its credit costs and scale up its new business which will help them to improve the revenue levels will be a key rating monitorable.

**Analytical Approach:** Standalone

**Applicable Criteria:**

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

[Criteria of assigning rating outlook](#)

[Policy on rating withdrawal](#)

### **Liquidity – Adequate**

As on September 30, 2022, the company is well capitalized with a CAR (%) of 84.14% and has a adequately matched asset liability profile as on September 30, 2022. Also, it has strong cash & bank balances of Rs 628 Crore as on September 30, 2022. Collections were also stable in the 12 months with collection efficiency ~ 90%.

### **About the Company**

Dhani Loans and Services Limited (DLSL, erstwhile Indiabulls Consumer Finance Limited) is a wholly owned subsidiary of Dhani Services Limited (DSL, erstwhile Indiabulls Ventures Limited). The company was incorporated on October 27, 1994. The company is registered as a non-deposit taking systemically important non-banking finance company (NBFC-ND-SI) and provides loans against properties, personal loans, and unsecured business loans. It is wholly owned subsidiary of DSL. DSL has recently shifted its business model to a marketplace and warehouse model wherein DLSL provides credit to customers who want to purchase goods on Dhani store by use of credit.





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### Financials (Standalone):

INR in Crore

For the year ended/ As on*	31-03-2020 (Audited)	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	2,516.88	1,062.90	844.11
Interest expense	739.66	435.90	226.06
PAT	54.25	-54.10	-184.28
Total Debt	4,986.41	3,292.40	1,906.42
Tangible Net Worth	4,183.52	4,127.22	3,964.48
Total Loan Assets	4,179.55	3,721.17	3,344.54
<b>Ratios (%)</b>			
Overall Gearing Ratio (x)	1.19	0.80	0.43
GNPA (%)	1.93%	10.26%	14.87%
NNPA (%)	0.74%	2.30%	9.35%
CAR (%)	58.92%	58.24%	63.91%

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2022-23)			Rating History for the past 3 years			
	Type	Amount (INR Crore)	Rating	Rating assigned in 2022-23 26 May 2022	Rating assigned in 2021-22 17 Mar 2022	Rating assigned in 2021-22 27 May 2021	Rating assigned in 2020-21 12 March 2021
Long Term Fund based facility	NCDs	428.26	IVR A/ CWDI	IVR A+/ CWDI	IVR AA/ Stable	IVR AA/ Stable	IVR AA/ Stable
Long Term Fund based facility	Proposed NCDs	0.00	Withdrawn	IVR A+/ CWDI	IVR AA/ Stable	IVR AA/ Stable	IVR AA/ Stable
Long Term Fund based facility	Term Loan	213.12	IVR A/ CWDI	IVR A+/ CWDI	IVR AA/ Stable	IVR AA/ Stable	-



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Long Term Fund based facility	Cash Credit	0.00	IVR A/ CWDI and simultaneously Withdrawn	IVR A+/ CWDI	IVR AA/ Stable	IVR AA/ Stable	-
Long Term Fund based facility	Proposed long term bank facilities	0.00	Withdrawn	IVR A+/ CWDI	IVR AA/ Stable	IVR AA/ Stable	-
<b>Total</b>		641.38					

### Name and Contact Details of the Rating Analyst:

Name: Mr. Amey Joshi  
Tel: (022) 62396023  
Email: amey.joshi@infomercis.com

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any



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information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities/Instrument

Name of the Instrument	Size of Facility (INR Crore)	ISIN*	Date of Issuance	Coupon Rate/IR R	Maturity Date	Security Cover	Frequency of coupon payment	Rating Assigned/ Outlook
Non-Convertible Debentures	47.01	INE614X07076	08-Mar-19	10.48%	08-Mar-24	1.00	Monthly	IVR A/CWDI
Non-Convertible Debentures	26.07	INE614X07084	08-Mar-19	10.99%	08-Mar-24	1.00	Annual	IVR A/CWDI
Non-Convertible Debentures	19.38	INE614X07092	08-Mar-19	NA	08-Mar-24	1.00	Cumulative	IVR A/CWDI
Non-Convertible Debentures	15.64	INE614X07183	27-Jun-19	10.12%	27-Jun-24	1.00	Monthly	IVR A/CWDI
Non-Convertible Debentures	12.8	INE614X07191	27-Jun-19	10.60%	27-Jun-24	1.00	Annual	IVR A/CWDI
Non-Convertible Debentures	4.39	INE614X07209	27-Jun-19	NA	27-Jun-24	1.00	Cumulative	IVR A/CWDI
Non-Convertible Debentures	3.79	INE614X07274	06-Sep-19	10.03%	06-Sep-24	1.00	Monthly	IVR A/CWDI
Non-Convertible Debentures	11.81	INE614X07282	06-Sep-19	10.50%	06-Sep-24	1.00	Annual	IVR A/CWDI
Non-Convertible Debentures	1.04	INE614X07290	06-Sep-19	NA	06-Sep-24	1.00	Cumulative	IVR A/CWDI
Non-Convertible Debentures	128.64	INE614X07324	02-Feb-22	N.A.	07-Feb-23	1.25	Cumulative	IVR A/CWDI
Non-Convertible	3.88	INE614X07332	02-Feb-22	10.50%	02-Feb-24	1.25	Annual	IVR A/CWDI





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Debentures								
Non-Convertible Debentures	4.78	INE614X07340	02-Feb-22	N.A.	02-Feb-24	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	7.1	INE614X07357	02-Feb-22	10.03%	02-Feb-24	1.25	Monthly	IVR A/CWDI
Non-Convertible Debentures	11.4	INE614X07365	02-Feb-22	11.00%	31-Jan-25	1.25	Annual	IVR A/CWDI
Non-Convertible Debentures	9.17	INE614X07373	02-Feb-22	N.A.	31-Jan-25	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	25.6	INE614X07381	02-Feb-22	10.49%	31-Jan-25	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	26.93	INE614X07399	17-May-22	NA	22-May-23	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	36.71	INE614X07407	17-May-22	10.50%	17-May-24	1.25	Annual	IVR A/CWDI
Non-Convertible Debentures	1.2	INE614X07415	17-May-22	NA	17-May-24	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	4.26	INE614X07423	17-May-22	10.03%	17-May-24	1.25	Monthly	IVR A/CWDI
Non-Convertible Debentures	7.15	INE614X07449	17-May-22	11.00%	16-May-25	1.25	Annual	IVR A/CWDI
Non-Convertible Debentures	4.03	INE614X07431	17-May-22	NA	16-May-25	1.25	Cumulative	IVR A/CWDI
Non-Convertible Debentures	15.48	INE614X07456	17-May-22	10.49%	16-May-25	1.25	Annual	IVR A/CWDI
Term Loan	213.12	-	-	-	Dec 2023	-	-	IVR A/CWDI
<b>Total</b>	<b>641.38</b>							

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

**Annexure 3: Facility wise lenders details**

<https://www.infomerics.com/admin/prfiles/Len-DhaniLoans-dec22.pdf>



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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: No Covenants**

**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](http://www.infomerics.com).

