



Press Release

Capri Global Capital Limited (CGCL)

Revised Press Release

August 24, 2023

Reclassification of proposed facilities – Bank loan facilities, Non-convertible Debentures and Commercial Paper Issue

The revised press release is provided in relation to the Press Release published on February 01, 2023. The revised press release mentions the following:

- Transaction Structure
- Detailed explanation of covenants of the rated instrument/facilities as per the regulatory guidelines.

Link to the press release dated February 01, 2023, published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-Capri-Global-1feb23.pdf>

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Non-Convertible Debentures (NCDs)	250.00 (Increased from 150.00)	IVR AA/ Stable (IVR Double A with Stable outlook)	Reaffirmed	Simple
Proposed Non- Convertible Debentures (NCDs)	50.00 (Decreased from 150.00)	IVR AA/ Stable (IVR Double A with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loans	3916.19 (Increased from 2734.45)	IVR AA/ Stable (IVR Double A with Stable outlook)	Reaffirmed	Simple
Long term Bank Facilities – Proposed Term Loan	488.81 (Decreased from 1670.55)	IVR AA/ Stable (IVR Double A with Stable outlook)	Reaffirmed	Simple
Long term Bank Facilities – Cash	95.00	IVR AA/ Stable	Reaffirmed	Simple



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Credit		(IVR Double A with Stable outlook)		
Short Term – Commercial Paper Issue	350.00	IVR A1+ (IVR A One Plus)	Reaffirmed	Simple
Total	5150.00 (Rs Five Thousand One Hundred Fifty Crores)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the various credit facilities of Capri Global Capital Limited (CGCL) continues to derive comfort from the experienced board of directors and management team, comfortable capitalisation and leverage position, improved financial profile, broad network coupled with strong risk management systems and diversified product profile. However, ratings are constrained by average, albeit improving asset quality indicators, geographical concentration especially in Construction Finance business and inherent risks associated with lending business.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Substantial de-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

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors and Management Team:



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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.

Comfortable capital adequacy and leverage position:

The overall CAR of the Company stood comfortably at 24.21% as on 31 December 2022 (29.39% as on 31 March 2022) which is well above the regulatory requirements, giving the company sufficient headroom to continue its growth path and expand its portfolio further. The company plans to raise upto Rs 1440 Crores in FY24 which will help further improve the capitalization of the company. The overall gearing ratio stood comfortable at 1.88x in FY22 (FY21: 1.62x). Such adequate capitalization shall help the Company to sustain growth in the short-medium term.

Improved financial profile:

The Company's financial profile has consistently improved on the back of the growth witnessed in its AUM. The Company's AUM has consistently grown in the last 3 years from Rs 3,137 Crores in FY20 to Rs 4,770 Crores in FY22. It has further grown to Rs 5,984.07 Crores in 9MFY23. On the back of which, the company has reported a PAT of Rs 161.88 Crores (Rs 143.52 Crore in FY21) over a total income of Rs 765.55 Crores in FY22 (Rs 576.05 Crores in FY21). However, during 9MFY23, the profitability of the company moderated with reported PAT of Rs 93.20 Crore when compared to Rs 127.83 Crores in 9MFY22. This was mainly on account of increased operational expenditure on the back of substantial increase in gold loan branches. Infomerics is of the opinion that the profitability will continue to be muted given the branch expansion plans of the company. NIM have marginally increased to 10.11% in FY22 when compared to 9.85% in FY21. The cost to income ratio of the company stood comfortable at 44.04% for FY22.



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Broad network coupled with strong risk management systems:

CGCL has a wide network of over 327 branches in 14 states/UTs as on 30 Sep 2022 (99 branches in eleven states/UTs in FY21 and 117 branches in 13 state and UTs in FY22), mainly across the North and West of India. The Company has an employee strength of 6600 (~2494 employees in FY21 and 3202 in FY22) and is well positioned to sustain the growth in its portfolio. They have also implemented a new CRM module which is AI based voice bot. CGCL has adopted robust 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 team are independent of the sourcing team to reduce the likelihood of any malpractices.

Diversified product profile

Apart from their existing product base of MSME loans and construction finance, CGCL has diversified into gold loans in FY22 and has opened 182 exclusive branches in 7 states and UTs. They have also started indirect lending, financing to other NBFCs engaged in MSME Lending, Microfinance and fintech based NBFCs. CGCL has entered into tie-ups with commercial banks to distribute the banks' new car loan products for a fee consideration. This is a balance sheet light model and under this the current tie-ups are with 6 banks. Further, the Company has entered into tie-ups with State Bank of India, Union Bank of India, Punjab & Sind Bank and HDFC Bank (documentation in process with HDFC) 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 future.

Key Rating Weaknesses



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Average, albeit improving asset quality indicators:

Given the impact of COVID 19, the GNPA & NNPA had increased to 3.81% & 2.78% respectively in FY21 as against 2.69% & 1.91% respectively in FY20 due to higher delinquencies in the MSME segment. However, the asset quality has improved in FY22 with GNPA and NNPA decreasing to 2.72% and 1.91% respectively. As of 31 December 2022, the GNPA and NNPA of the company has further decreased to 2.59% and 1.85% respectively. The company's entire exposure to all its borrowers is adequately secured, which ensures minimum credit loss. The ability of the company to control incremental slippages to NPAs and improve collection efficiency over the near term is a key monitorable.

Geographical concentration, especially in its CF business:

The Company has made visible improvement in terms of geographical diversification across portfolio with increasing its branches from 91 in 7 states and UTs to 327 in 14 states and UTs. However, the operations are regionally concentrated top three states constituting ~73% as of Sep 2022 in MSME portfolio, top three cities accounted for ~67% as of Sep 2022 in CF portfolio and top three states constituting ~80% as of Sep 2022 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 Non-Banking Finance companies](#)

[Criteria of assigning rating outlook](#)



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Liquidity - Adequate

CGCL enjoys adequate 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 411.00 Crore (includes cash/bank balances of ~Rs 131.00 Crore and Liquid Investments amount to Rs 280 Crore) as on September 30, 2022. Average fund based working capital utilization stood at around 11% for the last twelve months ended December 2022. It also has a sufficient cushion in the form of undrawn limits (~Rs 34 Crore) as on September 30, 2022.

About the Company

Capri Global Capital Limited is a Non-Deposit Taking – Systemically Important NBFC. CGCL is promoted by Mr. Rajesh Sharma, who is also the Managing Director of the company. The company began its lending business in FY11. The shares of CGCL are listed on the BSE and NSE. CGCL lends to two main segments namely MSMEs and Construction Finance (CF). They have recently forayed into gold loans, have tied up with public sector and private sector banks for distributing new car loan products and co-lending tie up with banks.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	576.05	765.55
PAT	143.52	161.88
Tangible Net Worth	1,608.61	1,786.18
Total Debt	2,613.16	3,351.42
Total Loan Assets	3,564.21	4,577.09
Overall Gearing (Times)	1.62	1.88
ROTA (%)	3.83	4.17
Total CAR (%)	35.46%	29.39%
Gross NPA (%)	3.81%	2.72%



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Net NPA (%)	2.78%	1.91%
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* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
					Feb 03, 2022	Feb 05, 2021	July 02, 2020
1.	Non-Convertible Debentures	Long Term	250.00	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI	IVR AA-/Stable
2.	Proposed Non-Convertible Debentures	Long Term	50.00	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI	IVR AA-/Stable
3.	Bank Loan Facilities – Term Loans	Long Term	3916.19	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI	IVR AA-/Stable
4.	Proposed Bank Loan Facilities – Term Loans	Long Term	488.81	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI	IVR AA-/Stable
5.	Bank Loan Facilities – Cash Credit	Long Term	95.00	IVR AA/Stable	IVR AA/Stable	IVR AA/CWDI	IVR AA-/Stable
6.	Commercial Paper Issue	Short Term	350.00	IVR A1+	IVR A1+	IVR A1+	IVR A1+

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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.

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 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

Name of Facility	ISIN	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (NCD)	INE180C07072	9-Aug-2019	10.23%	9-Aug-2029	150.00	IVR AA/ Stable
Non-Convertible Debentures (NCD)	INE180C07130	29-Dec-2022	8.60%	29-Mar-2024	100.00	IVR AA/ Stable



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Proposed Non-Convertible Debentures (NCD)	-	-	-	-	50.00	IVR AA/ Stable
Long Term Fund Based Facility – Term Loan	-	-	-	Upto June 2029	3916.19	IVR AA/ Stable
Long Term Fund Based Facility – Proposed Term Loan	-	-	-	-	488.81	IVR AA/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	Revolvin g	95.00	IVR AA/ Stable
Commercial Paper Issue	INE180C14169	27-Dec-2022	-	15-Mar-2023	50.00	IVR A1+
Commercial Paper Issue	INE180C14169	28-Dec-2022	-	15-Mar-2023	50.00	IVR A1+
Commercial Paper Issue	-	-	-	-	250.00	IVR A1+

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

Annexure 3:

<https://www.infomerics.com/admin/prfiles/Len-Capri-Global-feb23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Transaction Structure

NCD issue of Rs 150 Crores

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



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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

NCD issue of Rs 100.00 Crores

ISIN	INE180C07130
Issue	Secured, Rated, Unlisted and Redeemable Non-Convertible Debentures
Nature of Instrument	Secured
Debenture Trustee	Catalyst Trusteeship Limited
Participation Amount	INR100.00 Crore
Purpose	Used for various finance activities
Tenor	1 year 3 months
Principal Repayment	Bullet Repayment at the end of the tenure
Security Summary	The Company shall maintain security cover of 1.10x of the entire redemption amount throughout the tenure of NCD
Coupon %	8.60%
Coupon Payment Frequency	Monthly
Date of Allotment	29 December 2022
Redemption	29 March 2024



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Commercial Paper issue of Rs 100.00 Crores (Rs 50.00 Crores each)

ISIN	INE180C14169
Issue	Commercial Paper
Amount	INR50.00 Crore
Tenor	3 months
Coupon %	Not Available
Date of Allotment	27 December 2022
Redemption	15 March 2023

ISIN	INE180C14169
Issue	Commercial Paper
Amount	INR50.00 Crore
Tenor	3 months
Coupon %	Not Available
Date of Allotment	28 December 2022
Redemption	15 March 2023

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 of 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 or shall pay penal interest of at 2% p.a. over the</p>
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	coupon rate for period of delay in creation of security beyond 60 days from date of closure of the Issue.
Non-Financial Covenants	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.

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.