



Press Release

Capri Global Capital Limited (CGCL)

Revised Press Release

August 24, 2023

The revised press release is provided in relation to the Press Release published on March 31, 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 March 31, 2023, published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-CapriGlobal-31mar2023.pdf>

Ratings

| Facilities | Amount (Rs. crore) | Current Ratings | Rating Action | <u>Complexity Indicator</u> |
|--|--|---|--------------------------|--|
| Non-Convertible Debentures (NCDs) | 166.67 (Decreased from 266.67) | IVR AA/ Stable (IVR Double A with Stable outlook) | Reaffirmed | Simple |
| Proposed Non- Convertible Debentures (NCDs) | 133.33 (Increased from 33.33) | IVR AA/ Stable (IVR Double A with Stable outlook) | Reaffirmed | Simple |
| Long Term Bank Facilities – Term Loans | 5184.73 (Increased from 4226.19) | IVR AA/ Stable (IVR Double A with Stable outlook) | Reaffirmed | Simple |
| Long term Bank Facilities – Proposed Term Loan | 2805.27 (Increased from 138.81) | IVR AA/ Stable (IVR Double A with Stable outlook) | Reaffirmed | Simple |
| Long term Bank Facilities – Cash Credit | 105.00 (Increased from 95.00) | IVR AA/ Stable (IVR Double A with Stable outlook) | Reaffirmed | Simple |
| Short Term – Commercial Paper Issue | 350.00 | IVR A1+ (IVR A One Plus) | Reaffirmed | Simple |



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| | |
|--------------|---|
| Total | 8745.00 (Rs Eight Thousand Seven Hundred Forty-Five Crores only) |
|--------------|---|

***Outstanding NCDs have decreased from Rs 266.67 Crores to Rs 166.67 Crores as NCD of Rs 100 Crores (ISIN: INE180C07130) has been fully redeemed.**

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:

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



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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's rights issue was fully subscribed and the company has raised Rs 1,440 Crores plans to raise upto Rs 1440 Crores through the same. This will further strengthen 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. At 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 a substantial increase in gold loan branches. Infomerics is of the opinion that 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.

Broad network coupled with strong risk management systems:



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CGCL has a wide network of over 610 branches in 15 states/UTs as on 31 December 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 7983 (~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 449 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 8 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.

Key Rating Weaknesses

Average, albeit improving asset quality indicators:



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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 610 in 15 states and UTs. However, the operations are regionally concentrated top three states constituting 74% as of 31 December 2022 in MSME portfolio, top three cities accounted for 80% as of 31 December 2022 in CF portfolio and top three states constituting 66% as of 31 December 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](#)

Liquidity - Adequate



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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 171.00 Crore and Liquid Investments amount to Rs 238.00 Crore) as on December 31, 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 325 Crore) as on December 31, 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% |
| 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 2022-23 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| | | | | | March 21, 2022 | Feb 01, 2023 | Feb 03, 2022 | Feb 05, 2021 |
| 1. | Non-Convertible Debentures | Long Term | 166.67 | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/CWDI |
| 2. | Proposed Non-Convertible Debentures | Long Term | 133.33 | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/CWDI |
| 3. | Bank Loan Facilities – Term Loans | Long Term | 5184.73 | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/CWDI |
| 4. | Proposed Bank Loan Facilities – Term Loans | Long Term | 2805.27 | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/CWDI |
| 5. | Bank Loan Facilities – Cash Credit | Long Term | 105.00 | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/Stable | IVR AA/CWDI |
| 6. | Commercial Paper Issue | Short Term | 350.00 | IVR A1+ | 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



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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 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) | INE180C07114 | 23-July-2020 | 8.80% | 23-July-2023 | 16.67 | IVR AA/ Stable |
| Proposed Non-Convertible Debentures (NCD) | - | - | - | - | 133.33 | IVR AA/ Stable |
| Long Term Fund Based Facility – Term Loan | - | - | - | February 2030 | 5184.73 | IVR AA/ Stable |



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|--|---|---|---|---------------|---------|----------------|
| Long Term Fund Based Facility – Proposed Term Loan | - | - | - | - | 2805.27 | IVR AA/ Stable |
| Long Term Fund Based Facility – Cash Credit | - | - | - | Revolvin g | 105.00 | IVR AA/ Stable |
| Commercial Paper Programme | - | - | - | - | 350.00 | IVR A1+ |

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

Annexure 3:

<https://www.infomerics.com/admin/prfiles/Len-CapriGlobal-march23.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 | Rs 150.00 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 |



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|-------------------|----------|
| Date of Allotment | 9-Aug-19 |
| Redemption | 9-Aug-29 |

NCD issue of Rs 16.67 Crores

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|-----------------------------------|---|
| ISIN | INE180C07114 |
| Issuer | Capri Global Capital Limited |
| Issue | Secured, Rated, Listed, Redeemable Non-Convertible Debentures |
| Participation amount | Rs 16.67 Crores |
| Objects of the Issue | The funds raised through this issue will be used for onward lending activities eligible for Bank finance as per RBI guidelines. |
| Coupon rate and payment frequency | 8.80% p.a. payable annually |
| Tenor | 3 years |
| Date of Allotment | 23 July 2020 |
| Redemption date | 23 July 2023 |
| Security | The NCDs being issued shall be secured through a first pari passu charge by hypothecation over the Hypothecated Assets of the Company. The Company shall maintain security cover of at least 1.33 times of the entire redemption amount throughout the tenure of the NCDs |

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 coupon rate for period of delay in creation of security beyond 60 days from date of closure of the Issue.</p> |
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|--------------------------------|--|
| 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.

