



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 February 03, 2022. 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 03, 2022, published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/PR-03-02-22-CGCL.pdf>

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facility – Term Loans	2,734.45 (Increased from 1,815.80)	IVR AA/ Stable (IVR Double A with Stable outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
Proposed Term Loans	1670.55 (Reduced from 2564.20)	IVR AA/ Stable (IVR Double A with Stable outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
Long Term Bank Facility – Cash Credit	95.00 (Reduced from 120.00)	IVR AA/ Stable (IVR Double A with Stable outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
Non-Convertible Debentures	150.00	IVR AA/ Stable (IVR Double A with Stable outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
Proposed Non-Convertible	150.00	IVR AA/ Stable (IVR Double A with Stable outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit	Simple



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Debentures			Watch with Developing Implications	
Proposed Commercial Papers	350.00	IVR A1+ (IVR A One Plus)	Rating Reaffirmed; removed from Credit Watch with Developing Implications	Simple
Total	5150.00 (Rs Five Thousand One Hundred Fifty Crores)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings assigned to the various credit facilities of Capri Global Capital Limited continues to derive strength from comfortable capital adequacy and leverage position, diversified board of directors coupled with experienced management team, moderate profitability indicators, broad network coupled with strong risk management systems. However, the rating strengths are partially offset by average asset quality indicators, and geographical concentration especially in its CF business.

Earlier, the rating was placed under credit watch with developing implications to monitor the impact of uncertainties prevailing because of ongoing Covid-19 pandemic and impact of the proposed regulatory framework for the NBFCs by the RBI, which has placed NBFC-ND-SI in the middle layer (ML) category with certain regulations on which the future impact was uncertain.

As a result of ongoing Covid-19 pandemic, the GNPA & NNPA had moderately increased due to delinquencies in the MSME segment. However, the Company reported marginal improvement in GNPA & NNPA levels in H1FY22. Company is monitoring the asset quality very closely and is putting an extra focus to increase collection efficiency across all buckets. The Company has seen improvements in resolution rates across all buckets for last few months which is expected to bring the current delinquencies and NPA further down. The collection efficiency improved on a month-on-month basis and was around pre-covid level. In accordance with RBI Directions for COVID-19 relief measures, CGCL has also restructured loans where applicable. The Overall restructured book stood at INR211.5 Crore as on September 30, 2021. There has not been any adverse impact of regulatory framework for



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the NBFCs by the RBI, which has placed NBFC-ND-SI in the middle layer (ML) category with certain regulations.

These recent developments majorly extinguish the concern led for placing the rating under credit watch with developing implications. Hence, the watch has been resolved, and stable outlook is assigned.

Key Rating Sensitivities:

Upward Factor:

- Substantial improvement in AUM and sustaining the same above INR5000.00 Crore while maintaining the debt protection metrics at current level coupled with improving asset quality leading to improvement of GNPA's from current level on a sustained manner.

Downward Factor:

- Substantial de-growth in AUM and/or decline in debt protection metrics.
- Substantial rise in slippages to GNPA's

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capital adequacy and leverage position:

Capitalization of the Company is adequate, with the overall CAR and Tier I CAR at 35.79% and 35.42% respectively in H1FY22 (FY21: 35.46% and 35.02% respectively), comfortably above the regulatory requirements, giving the company sufficient headroom to continue on its growth path and expand its portfolio further. The overall gearing ratio stood comfortable at 1.62x in FY21 (FY20: 1.41x). Such adequate capitalization shall help the Company in sustaining the Covid-19 related asset quality stress for the short-medium term. CGCL's growth prospects will be driven by the Company's resource raising ability.

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



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of experienced personnel who have been associated with the company since 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 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.

Broad network coupled with strong risk management systems:

CGCL has a wide network of over 99 branches in ten states/UTs, mainly across the North and West of India. The Company has an employee strength of ~2494 employees and is well positioned to sustain the growth in its portfolio. CGCL has adopted the 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 fraud control checks are strictly followed to reinforce the focus on risk mitigation. The collection and recovery team is independent of the sourcing team to reduce the likelihood of any malpractices.

Key Rating Weaknesses

Average asset quality indicators:

The GNPA & NNPA had moderately increased to 3.81% & 1.08% respectively in FY21 as against 2.69% & 0.90% respectively in FY20 due to higher expected delinquencies in the MSME segment owing to Covid-19 pandemic. However, the Company reported marginal improvement in GNPA & NNPA at 3.75% & 0.84% respectively in H1FY22. As per the company the delinquencies will improve gradually owing to recalibration of the operations as per the current situation. Moreover, CGCL has taken a conservative approach to keep adequate cushion against potential losses and maintained healthy Provision Coverage Ratio at ~78% as on September 30, 2021 (FY21: ~72%, FY20: ~67%). Also, the portfolio of the Company is secured by way of hard collateral in the form of residential / commercial property. In case of MSME, the Average LTV is ~50% and in Construction finance (CF),



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cash flow cover is of ~2.5 times and asse cover of ~2 times. 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 improvement in terms of geographical diversification in its MSME Portfolio with top three states constituting ~59% in FY21 (FY20: ~70%). The same stood at ~62% as of Sep 2021. The geographical concentration remains moderately high in CF segment. For its CF portfolio, top three cities accounted for ~52% as of Sep 2021 (FY21: ~50%, FY20: ~55%). 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. 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

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 amounting to ~INR400 Crore (includes cash/bank balances of ~INR101Crore and Liquid Investments amount to ~INR299 Crore) as on September 30, 2021. Average fund based working capital utilization stood at around 4.88% for the last twelve months ended December 2021. It also has a sufficient cushion in the form of sizeable undrawn limits as on December 31, 2021.



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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. 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).

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	582.16	765.55
Interest	215.97	208.52
PAT	135.73	143.52
Total Debt	2,062.30	2,613.16
Total Debt	2,613.16	3,351.42
Tangible Net Worth	1,459.81	1,608.61
Total Loan Assets	3,054.64	3,564.21
Ratios		
Overall Gearing (Times)	1.41	1.62
Gross NPA (%)	2.69%	3.81%
Net NPA (%)	0.90%	1.08%
Total CAR (%)	38.00%	35.46%

* Classification as per Infomerics' standards

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

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Feb 05, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 02, 2020)	Date(s) & Rating(s) assigned in 2019-20 (February 06, 2019)
1.	Long Term Bank Facility – Term Loans	Long Term	2,734.45	IVR AA/Stable	IVR AA; Credit Watch with Developing Implications	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook
2.	Proposed Term Loans	Long Term	1,670.55	IVR AA/Stable	IVR AA; Credit Watch with Developing Implications	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook
3.	Long Term Bank Facility – Cash Credit	Long Term	95.00	IVR AA/Stable	IVR AA; Credit Watch with Developing Implications	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook
4.	Non-Convertible Debentures	Long Term	150.00	IVR AA/Stable	IVR AA; Credit Watch with Developing Implications	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook
5.	Proposed Non-Convertible Debentures	Long Term	150.00	IVR AA/Stable	IVR AA; Credit Watch with Developing Implications	IVR AA-/Stable Outlook	IVR AA-/Stable Outlook
6.	Proposed Commercial Papers	Short Term	350.00	IVR A1+	IVR A1+; Credit Watch with Developing Implications	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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loans	--	--	Up to December 2028	2,734.45	IVR AA/ Stable Outlook
Proposed Term Loans	--	--	--	1,670.55	IVR AA/ Stable
Long Term Bank Facility – Cash Credit	--	--	--	95.00	IVR AA/ Stable
Non-Convertible Debentures	August 09, 2019	10.23%	August 09, 2029	150.00	IVR AA/ Stable
Proposed Non-Convertible Debentures	--	--	--	150.00	IVR AA/ Stable
Proposed Commercial Papers	-	-	--	150.00	IVR A1+

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

Annexure 3:

<https://www.infomerics.com/admin/prfiles/Lender-03-02-22-CGCL.pdf>

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

Transaction Structure

NCD issue of Rs 150 Crores

Issue	Secured, Rated, Listed and Redeemable Non-Convertible Debentures issued on Private Placement
ISIN	INE180C07072
Series	Series – 4
Quantity	1500
Face Value (per instrument)	INR10,00,000/-



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Date of Allotment	August 09, 2019
Date of Redemption	August 09, 2029
Coupon Rate	10.23%
Coupon Payment Frequency	Quarterly
Purpose	For Lending activities and other business activities

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>
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>

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.