



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Indiabulls Ventures Ltd.

January 15, 2019

Rating

| Instrument / Facility | Amount | Rating | Rating Action |
|-----------------------|-----------------|--------------------------|---------------|
| Commercial Paper | Rs.750.00 crore | IVR A1+ (IVR A One Plus) | Reaffirmed |

Details of Facility are in Annexure 1

Detailed Rationale

The rating derives comfort from the strength of the promoters and shared brand name, experienced and professional management, expected diversification of revenue profile on account of increased focus on the lending book, good resource raising ability, comfortable gearing, profitable operations and well-designed risk management practices. The rating also takes into consideration the limited seasoning of the lending portfolio, unsecured nature of the lending book and the inherent volatility in capital market activities. The key rating sensitivities are asset quality of the underlying portfolio in the growing phase, overall gearing and profitability.

Detailed Description of Key Rating Drivers

Strong promoters and shared brand name

Indiabulls Ventures Limited (IVL) is a part of the Indiabulls group with Indiabulls Housing Finance Limited (IBHFL) being the flagship company. IBHFL is the one of the largest private housing finance companies in India. It has a loan portfolio of Rs.1,22,578 crore and a net worth of Rs.13,424 crore as on March 31, 2018. The total revenue of IBHFL was Rs.14,640 crore with PAT of Rs.3,847 crore in FY18. IBHFL has grown steadily over the last decade. Mr. Sameer Gehlaut is the founder of Indiabulls group. He has over 17 years of experience in real estate and finance. He appears in the Forbes top 50 richest Indians list for 2018.

Experienced and professional management

Around 36.75% of the shareholding (as on September 30, 2018) is controlled by Mr. Sameer Gehlaut. Mr. Gehlaut is the Chairman and Mr. Gagan Banga is Director of IVL. Mr. Gagan Banga is the Vice Chairman & Managing Director of IBHFL. He has over 19 years of

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experience in NBFC and HFC segments. He has been named amongst the most valuable Chief Executive Officer by Businessworld.

Further, the top management team also comprises Mr. Divyesh Shah, Executive Director & CEO with over 25 years of experience in securities & broking business (including 15 years in IVL), Mr. Pinank Jayant Shah, Executive Director has over 16 years of experience in retail lending, corporate lending and fund raising across organisations, including IBHFL and HDFC. Mr. Rajeev Agarwal, CFO, has been associated with the Indiabulls group for 12 years.

Increased focus on the lending portfolio expected to diversify the revenue profile

On a consolidated level, the proportion of broking income came down from ~79% in FY14 to ~28% in FY18. Around 40% of the operating income for FY18 came from the lending business and around 23% was generated by way of consultancy and advisory fees and dividend income. With the increased focus on growing the lending business, the revenue profile has diversified in FY18.

Comfortable gearing ratio with infusion of fresh capital

IVL raised around Rs.1200 crore of equity in FY18. In another round of capital raising, the company raised close to Rs.2,500 crore in H1FY19 and a further infusion of Rs.1539 crore in the form of Compulsorily Convertible Debentures (convertible into equity Shares within a period of eighteen months from allotment) in Q3FY19. Consequently, the company's gearing stood at 3.0x as on March 31, 2018. The gearing ratio further improved to 1.7x as on September 30, 2018.

Good resource raising ability

Being part of the Indiabulls group, IVL enjoys good resource raising ability as demonstrated by the multiple rounds of equity raising in FY18-FY19.

Well-designed Risk Management practices

IVL has well established risk management practices for its various business, which has evolved over the years since its operations as the erstwhile Indiabulls Securities Limited. The company does not indulge in any proprietary trading. IVL's subsidiary, Indiabulls Consumer Finance Ltd (ICFL, erstwhile IVL Finance Ltd) has also implemented a well-crafted credit policy for its lending business.

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Profitable operations

IVL has a track record of profitable operations over the years. On a consolidated basis, PAT of the company was Rs.236.8 crore in FY18 as compared to PAT of Rs.102.3 crore in FY17. IVL made PAT of Rs.228.4 crore for H1FY19 (Unaudited consolidated financials), mainly due to increase in the income generated from the lending portfolio in its subsidiary ICFL.

Limited seasoning of portfolio and unsecured lending

The company has started ramping up its lending portfolio from FY18 through its subsidiary ICFL. The total loan book stood at Rs.10140 crore as on September 30, 2018, having grown from around Rs.4002 crore as on March 31, 2018. The lending business is mainly focussed on personal loans and business loans to MSMEs / SMEs. Around 48% of the total lending portfolio is unsecured implying relatively higher credit risk profile. However, the risk management practices of the group appear to be well designed.

Inherent volatility in capital market activities

The securities brokerage and advisory businesses are inherently volatile by nature and is subject to vagaries of the macro-economic market conditions. It is prone to risks, particularly in volatile or illiquid markets, or in markets influenced by sustained periods of low or negative economic growth. But, IVL has a well-established risk management system in place and the backing of strong promoters provides comfort in terms of weathering external shocks.

Analytical Approach & Applicable Criteria

Consolidated Financials – For arriving at the ratings, INFOMERICS has considered the consolidated financials of IVL. As on March 31, 2018, the company had 19 subsidiaries that were fully consolidated. The list of subsidiaries are given in Annexure 2.

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity

IVL enjoys strong liquidity on account of the repeated rounds of fund raising over the last couple of years as well as increasing profits and retained cash flows. The company has proven track record in raising low cost debt. The company has sizeable balances (Rs.688 crore as on

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September 30, 2018) maintained as cash and cash equivalents which further strengthens its liquidity profile.

About the Company

IVL was incorporated as GPF Securities Private Limited in 1995. Over the years its name was changed to Indiabulls Securities Limited in 2004 and in 2015, it was given its current name Indiabulls Venture Limited. The shares of IVL are listed on the BSE and NSE and the Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. It is a part of the Indiabulls group, which is one of the leading business houses in India with interests in real estate, housing finance and financial services. Around 36.75% of the shareholding (as on September 30, 2018) of IVL is controlled by Mr. Sameer Gehlaut, founder and chairman of the Indiabulls Group, who has over 17 years of experience in real estate and finance. He also features on the Forbes list of top 50 richest Indians for 2018.

Financials

(Rs. Crore)

| For the year ended / Rs. Crs | Consolidated | |
|------------------------------|----------------|----------------|
| | 31-03-2017 | 31-03-2018 |
| | Audited | Audited |
| Total Income | 509.1 | 1,053.7 |
| Interest | 138.6 | 227.5 |
| PAT | 102.3 | 236.8 |
| Tangible Net Worth | 459.8 | 1,899.3 |
| | | |
| Ratios | | |
| a. PAT Margin | 20.1 | 22.5 |
| b. Overall Gearing ratio | 3.3 | 3.0 |

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information:

Disclosure: Mr. Alok Kumar Misra who is a member of the Board of Directors of INFOMERICS is also on the Board of Indiabulls Ventures Ltd. He did not participate in any of the discussions and processes related to the rating mentioned herein.

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Rating History for last three years:

| S. No. | Name of Instrument/ Facilities | Current Rating (Year 2018-19) | | | Rating History for the past 3 years | | |
|--------|--------------------------------|-------------------------------|--------------------------------|--------------------------|--|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 |
| 1. | Commercial Paper | Short Term | 750.00 | IVR A1+ (IVR A One Plus) | IVR A1+ (IVR A One Plus) (December 19, 2017) | -- | -- |

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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 Facility

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crores) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|-------------------------------|--------------------------|
| Commercial Paper | - | - | - | 750.00 | IVR A1+ (IVR A One Plus) |

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Annexure 2: List of subsidiaries considered for consolidated analysis

| Name of Facility | Ownership | Consolidation Approach |
|--|-----------|------------------------|
| Indiabulls Investment Advisors Limited (Formerly Indiabulls Brokerage Limited) | 100% | Full Consolidation |
| Indiabulls Commodities Limited | 100% | Full Consolidation |
| Auxesia Soft Solutions Limited | 100% | Full Consolidation |
| India Ethanol and Sugar Limited | 100% | Full Consolidation |
| Indiabulls Distribution Services limited | 100% | Full Consolidation |
| Devata Tradelink Limited | 100% | Full Consolidation |
| Indiabulls Consumer Finance Limited (formerly IVL Finance Limited) | 100% | Full Consolidation |
| Pushpanjli Finsolutions Limited | 100% | Full Consolidation |
| Astraea Constructions Limited | 100% | Full Consolidation |
| Silenus Buildtech Limited | 100% | Full Consolidation |
| Astilbe Builders Limited | 100% | Full Consolidation |
| Arbutus Constructions Limited | 100% | Full Consolidation |
| Gyansagar Buildtech Limited | 100% | Full Consolidation |
| Pushpanjli Fincon Limited | 100% | Full Consolidation |
| Indiabulls Alternate Investments Limited | 100% | Full Consolidation |
| Indiabulls Consumer Products Limited | 100% | Full Consolidation |
| Indiabulls Asset Reconstruction Company Limited | 100% | Full Consolidation |
| Indiabulls Logistics Limited | 100% | Full Consolidation |
| Indiabulls Infra Resources Limited | 100% | Full Consolidation |