

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Indiabulls Ventures Ltd.

December 15, 2017

Rating

Instrument / Facility	Amount	Rating	Rating Action
Commercial Paper (Proposed)	Rs.750.00 crores	IVR A1+ (IVR A One Plus)	Assigned

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.

List of Key Rating Drivers

- Strong promoters and shared brand name
- Experienced Management
- Increased focus on the lending portfolio expected to diversify the revenue profile
- Comfortable gearing ratio with infusion of fresh capital
- Good resource raising ability
- Well-designed Risk Management practices
- Profitable operations
- Limited seasoning of portfolio and unsecured nature of lending book
- Inherent volatility in capital market activities

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Detailed Description of Key Rating Drivers

Strong promoters and shared brand name

Indiabulls Ventures Limited (IVL) is a part of the Indiabulls group and shares the brand name of the flagship company Indiabulls Housing Finance Limited (IBHFL). IBHFL is the one of the largest private housing finance companies in India. It has a loan portfolio of Rs.91,301 crore and a networth of Rs.12,122 crore as on March 31, 2017. The total revenue of IBHFL was Rs.11,702 crore and PAT of Rs.2,906 crore in FY17. IBHFL has grown steadily over the last three years. Mr. Sameer Gehlaut is the founder of Indiabulls group. He has over 16 years of experience in real estate and finance and he features on the Forbes top 50 richest Indians list for 2017.

Experienced and professional management

Over 34% of the shareholding of IVL is controlled by Mr. Sameer Gehlaut. Mr. Gehlaut is the Non-Executive Chairman and Mr. Gagan Banga is the Non-Executive Director of IVL. Mr. Gagan Banga is the Vice Chairman & Managing Director of IBHFL, he has over 18 years of experience in NBFC and HFC segments. He has been named amongst the most valuable Chief Executive Officer by BW Businessworld.

Mr. Divyesh Shah, Executive Director & CEO, has been associated with the Company for over 14 years. He has over 24 years of experience in the securities and brokerage business. Mr. Pinank Jayant Shah, Executive Director, has 15 years of experience in retail lending, corporate lending and fund raising. Before joining IVL, he was associated with IBHFL and HDFC. Mr. Rajeev Agrawal, CFO, has been associated with the Indiabulls group for 11 years.

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

On a consolidated level, the proportion of broking income declined from ~81% in FY14 to ~56% in FY17. The remaining 44% operating income for FY17 was generated mainly from consultancy / advisory fees and rental income. Going forward, with the increased focus on the lending book, the revenue profile is expected to be diversified.

Comfortable gearing ratio with infusion of fresh capital

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In FY17, capital has been infused to the tune of Rs.53.36 crores. Additionally, there has been another round of capital raising in H1FY18, through which around Rs.746 crores of equity has been infused. Consequently, the company's gearing ratio improved to 3.3x as on March 31, 2017, which further improved to 3.1x as on September 30, 2017. IVL has filed a DRHP for a rights issue for an aggregate amount of Rs.2000 crores, which is pending with SEBI for clearance. The company expects to raise the funds through rights issue by the next two quarters.

Good resource raising ability

Being part of the Indiabulls group, IVL enjoys good resource raising ability as demonstrated by the infusion of equity in FY17 and H1FY18. The company has raised funds through CPs to the tune of Rs.500 crores (as on March 31, 2017) and also has term loans and working capital facilities from banks such as HDFC Bank and Yes Bank.

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, IVL Finance Ltd (IFL) has also implemented a well-crafted credit policy for its lending business.

Profitable operations

IVL has a track record of profitable operations over the years. On a consolidated basis, PAT of the company was Rs.102.3 crores in FY17 as compared to PAT of Rs.73.8 crores in FY16. IVL has reported PAT of Rs.105.5 crores for H1FY18 (Unaudited), mainly due to increase in the lending portfolio. On a standalone basis, IVL reported a PAT of Rs.47.1 crores on a total income of Rs.151.4 crores.

Limited seasoning of portfolio and unsecured lending

The company has started ramping up its lending portfolio from FY18 through its subsidiary IFL. The total loan book stood at over Rs.1500 crores as on September 30, 2017 (unaudited). The lending business is mainly focussed on personal loans and business loans to MSMEs /

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SMEs. The segments are relatively risky as the entire lending portfolio is unsecured. However, the risk management practices of the group appear to be well designed.

Inherent volatility in capital market activities

The securities brokerage business is 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

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

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. Over 34% of the shareholding of IVL is controlled by Mr. Sameer Gehlaut, founder and chairman of the Indiabulls Group, who has over 16 years of experience in real estate and finance. He also features on the Forbes list of top 50 richest Indians for 2017.

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Financials

(Rs. Crores)

For the year ended / Rs. Crs	Standalone		Consolidated	
	31-03-2016	31-03-2017	31-03-2016	31-03-2017
	Audited	Audited	Audited	Audited
Total Income	104.5	151.4	409.6	509.1
Interest	40.2	43.4	148.5	138.6
PAT	16.9	47.1	73.8	102.3
Tangible Net Worth	201.4	284.9	324.5	459.8
Ratios				
a. PAT Margin	16.2	31.1	18.0	20.1
b. Overall Gearing ratio	3.0	2.1	6.7	3.3

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.

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2017-18)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16	Date(s) & Rating(s) assigned in 2014-15
1.	Commercial Paper	Short Term	750.00	IVR A1+ (IVR A One Plus)	--	--	--

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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)