

Press Release
Digamber Capfin Limited

November 22, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.16	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	43.16	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 43.16 crore bank facilities of Digamber Capfin Limited (DCL). The outlook is '**Stable**'.

Rationale for the rating

The rating upgrade takes into consideration robust earnings profile, healthy resources raising ability & growth in AUM during FY22. DCL reported a PAT of Rs. 42.08 Cr during FY2022 as against Rs. 50.97 Cr. during FY2021 supported by healthy operational performance. For H1FY23, the PAT stood at Rs. 29.84 Cr. The credit profile of the company derives strength from its demonstrated ability to raise debt from diverse lenders. DCL received sanctions of Rs. 1286.04 Cr. in FY2022, the company raised fresh debt of ~Rs. 853 Cr during FY2022. The company's loan portfolio outstanding as on March 31, 2022 grew significantly to Rs. 1001.57 Cr as compared to Rs. 746.78 Cr as on March 31, 2021. The loan portfolio further increased to Rs. 1059.94 Cr during H1FY23.

These strengths are partially offset by deterioration in asset quality and risks inherent to the nature of the business which renders the portfolios vulnerable to event risks such as natural calamities in the area of operations. The company reported a spike in Gross Non-Performing Assets (GNPA) of 3.32 percent as on Sept 30, 2022 as compared to 1.86 percent as on March 31, 2022. (1.27 percent as on March 31, 2021). Going forward, continued promoter support, profitability and business growth are key monitorables.

About the company

DCL, incorporated in 1995, is a Rajasthan based Non-Banking Financial Company-Microfinance Institution (NBFC - MFI). DCL is promoted by Mr. Rajiv Jain & Mr. Amit Jain. It offers credit and other financial products to the rural and semi-urban areas. It lends under joint liability group (JLG) model and also provides loans to individual people.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of DCL to arrive at the rating.

Key Rating Drivers

Strength

Experienced Management & Growth in AUM

Digamber Capfin Ltd (DCL) started operations in 1995 as an NBFC with the objective of providing a range of financial services to the unbanked population. The company is promoted by Mr. Rajiv Jain (Managing Director) who has more than 25 years of experience in the field of finance, on the board of directors he is supported by Mr. Amit Jain (Whole time Director & CFO) and other board members who have extensive experience in the field of banking & finance. The company's Asset under Management (AUM) has increased to Rs. 1,001.57 Cr as on March 31, 2022 from Rs. 746.78 Cr as on March 31, 2021. The AUM stood at Rs. 1059.94 Cr as on September 30, 2022. The JLG segment constitutes ~99 of the loan portfolio and the rest is towards Individual Micro Loans (IML). The loans have an average tenure of 25 to 30 months.

Acuité believes that DCL's business profile will continue to benefit from the established presence in microfinance lending backed by strong promoter support.

Robust earnings profile

In FY2022, DCL's loan portfolio has grown owing healthy disbursement levels. The company's disbursements increased to Rs. 745.69 Cr as on March 31, 2022 from Rs. 484.49 Cr as on March 31, 2021. The company's overall financial profile continues to be robust as marked by increase in its Net interest income to Rs. 147.30 Cr for FY2022 from Rs. 135.89 Cr for FY2021. DCL reported a PAT of Rs 42.08 Cr in FY2022 as compared to Rs. 50.97 Cr during FY2021. For H1FY23, the PAT stood at Rs. 29.84 Cr. The healthy bottom-line has resulted into comfortable profitability metrics, RoTA (Return on Total Assets) and RoAA (Return on Average Assets) stood at 4.34 percent and 4.80 percent for FY2022, respectively.

Acuite believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable

Healthy capitalisation levels along with diversified funding mix

DCL's capitalisation remain healthy marked by networth of Rs. 226.44 Cr. as on September 30, 2022(Provisional) as compared to Rs. 154.68 Cr. as on March 31, 2021. The company reported a capital adequacy ratio (CAR) of 24.64 percent comprising Tier 1 capital at 21.36 percent and Tier II capital at 3.27 percent as on March 31, 2022. The company has a strong lender profile comprising Banks and Financial Institutions, with total debt increasing to Rs. 791.89 Cr. outstanding as on June 30, 2022. DCL's borrowing profile comprised Term loans, NCD's and ODs from PSU banks like State Bank of India, UCO Bank, Indian Bank, Union Bank of India and other NBFCs & Fis on June 30, 2022. DCL has demonstrated access to funding from both PSU banks and large NBFC/Fis. SML raised fresh debt of ~Rs.853 Cr. from various lenders in FY2022. And the company has raised debt of Rs. 305 Cr as on November 2022.

Weakness

Modest Asset Quality; Albeit Improving

DCL reported modest asset quality as reflected in on-time portfolio at 92.20 percent as on September 30, 2022 (97 percent as on March 31, 2022) and overall collection efficiency at ~60 percent for September 2022. Given the risks inherent to microfinance segment, a surge in the delinquencies has been observed, the company reported GNPA at 3.32 percent as on September 30, 2022, as against 1.86 percent as on March 31, 2022. (1.27 percent as on March 31, 2021). The company has made Impairment loss allowance of Rs. 25.59 Cr. as on March 31, 2022. Prudent risk management practices and digital collections mechanism are followed by the company in its operating area which enables smooth collections.

Acuité believes, going forward, the ability of the company to maintain asset quality in the light of continuously evolving economic scenario will be a key monitorable.

Susceptibility to risks inherent to microfinance segment

DCL primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. Since financial assistance to economic challenged borrowers is a sensitive issue, from government stand point the regulatory dispensation in respect of the policies becomes relevant. Any changes in the regulatory environment impeding the ability of entities like DCL to enforce collections, etc will have an impact on its operational performance. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations.

Acuité believes that containing additional slippages while maintaining the growth in the loan portfolio will be crucial.

ESG Factors Relevant for Rating

Digamber Capfin Limited (DCL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India. Some of the material governance issues for the sector are policies and practices with regards to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, sustainable financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks.

DCL was primarily engaged in extending offers credit and other financial products to the rural and semi-urban areas. It lends under joint liability group (JLG) model and also provides loans to individual people which supports financial inclusion by financing of smaller businesses. The company is promoted by Mr. Rajiv Jain (Managing Director), he is supported by Mr. Amit Jain (Whole time Director cum CFO) and 2 Independent Directors, 1 Nominee Director & 2 Non-Executive Directors. The company maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. The company also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors, grievances, litigations, and regulatory penalties for the group, if relevant. In terms of its social impact, DCL is actively engaged in community development programmes through its CSR activities.

Rating Sensitivity

- Movement in Asset Quality & Collection Efficiency
- Changes in regulatory environment
- Movement in liquidity buffers

Material Covenants

None

Liquidity Position Adequate

The company has cash and bank balances of Rs. 53.47 Cr. as on September 30, 2022. The collection efficiency for current month due for last 6 months at average stood at ~98 percent ended Sept 2022. The company raised fresh debt of Rs. 853 Cr in FY2022 & 305 Cr have been raised as on Nov 2022.

Outlook - Stable

Acuité believes that DCL will maintain a 'Stable' outlook in the medium term on account of the steady growth in loan book, adequate asset quality and comfortable profitability. The outlook may be revised to 'Positive' in case of significant increase in scale of operations and improvement in capitalisation while maintaining asset quality and overall profitability. The

outlook may be revised to 'Negative' in case of deterioration in asset quality along with pressure on profitability, or significant weakening of capitalisation.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	969.26	784.48
Total Income*	Rs. Cr.	147.30	135.89
PAT	Rs. Cr.	42.08	50.97
Net Worth	Rs. Cr.	196.72	154.68
Return on Average Assets (RoAA)	(%)	4.80	6.81
Return on Average Net Worth (RoNW)	(%)	23.95	39.45
Debt/Equity	Times	3.78	3.65
Gross NPA (Owned portfolio)	(%)	1.86	1.27
Net NPA (Owned portfolio)	(%)	0	0

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Aug 2021	Term Loan	Long Term	18.02	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.14	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	20.00	ACUITE BB (Downgraded and Issuer not co-operating*)
12 Jun 2020	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	18.02	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	8.37	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	24.09	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Cash Credit	Long Term	60.00	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	11.25	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	50.00	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	7.50	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	14.84	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	10.00	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	14.79	ACUITE BB+ (Downgraded, Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	5.14	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
28 Mar 2019	Term Loan	Long Term	7.50	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	8.37	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	18.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.14	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	11.25	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	14.79	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BBB Stable (Assigned)
		Long		

Term Loan	Term	10.00	ACUITE BBB Stable (Reaffirmed)
Proposed Term Loan	Long Term	4.84	ACUITE BBB Stable (Reaffirmed)
Term Loan	Long Term	10.00	ACUITE BBB Stable (Assigned)
Term Loan	Long Term	24.09	ACUITE BBB Stable (Reaffirmed)
Term Loan	Long Term	10.00	ACUITE BBB (Withdrawn)
Term Loan	Long Term	50.00	ACUITE BBB Stable (Assigned)
Cash Credit	Long Term	60.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.36	ACUITE BBB Stable Upgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.81	ACUITE BBB Stable Upgraded
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.27	ACUITE BBB Stable Upgraded
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.72	ACUITE BBB Stable Upgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Nitin Chavan Analyst-Rating Operations Tel: 022-49294065 nitin.chavan@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.