

Press Release

Capri Global Housing Finance Limited



December 03, 2019

Rating Reaffirmed, Assigned and withdrawn

Total Facilities	Rs. 1300.00 Cr.
Bank Facilities Rated	Rs. 1200.00 Cr.
Long Term Rating	ACUITE A+/ Outlook: Stable (Reaffirmed and assigned)
Facility withdrawn	Rs. 100.00 Cr.
Commercial Paper	ACUITE A1+ (Withdrawn)

*Refer annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A+** (read as **ACUITE A plus**) on the Rs. 835.00 Cr. bank facilities and assigned the long term rating of '**ACUITE A+** (read as **ACUITE A plus**) on the Rs. 365.00 Cr. bank facilities of Capri Global Housing Finance Limited (CGHFL). The outlook is '**Stable**'.

Acuité has withdrawn the short term rating of '**ACUITE A1+** (read as **ACUITE A one plus**) on the Rs. 100.00 Cr. Commercial Paper programme of Capri Global Housing Finance Limited. The rating is being withdrawn on account of request received from the company and confirmation that there are no outstanding.

Analytical approach:

Acuité has adopted a consolidated approach of the business and financial risk profiles of Capri Global Capital Limited along with its wholly owned subsidiary companies namely Capri Global Housing Finance Limited, Capri Global Asset Reconstruction Private Limited, Capri Global Capital (Mauritius) Limited and Capri Global Resources Private Limited together referred to as the 'Capri group'. The consolidation is in view of the common management, shared brand, and financial synergies between the group companies. Extent of Consolidation: Full.

About Capri Global Capital Limited:

Capri Global Capital Limited (CGCL), incorporated in 1994, is the flagship company of Capri group and is a non-deposit taking systemically important non-banking finance company (NBFC- NDSI). The company is engaged in extending construction finance and loans to MSMEs as loans secured against property. CGCL has four subsidiaries Capri Global Housing Finance Limited (CGHFL), Capri Global Asset Reconstruction Private Limited (CGARPL), Capri Global Capital (Mauritius) Limited (CGCML) and Capri Global Resources Private Limited (CGRPL). CGRPL and CGCML are yet to commence operations. CGCL's equity is listed on BSE and NSE with the promoter and promoter group holding 74.9 percent as on September 30, 2019.

The day to day operations are managed by Mr. Rajesh Sharma in capacity of Managing Director. The group operates through ~1550 employees across 85 locations in 8 states as on September 30, 2019.

About Capri Global Housing Finance Limited:

Incorporated in 2006, CGHFL, a wholly owned subsidiary of CGCL, is registered as a housing finance company (HFC) with National Housing Bank. The company commenced its operations in 2016 and is engaged in extending credit to the affordable housing segment by leveraging the existing branch network of its parent Company. CGHFL has presence in Maharashtra, Gujarat, Delhi NCR, MP and Rajasthan through a network of 76 branches as on September 30, 2019.

Key Rating Drivers

Strengths

- **Experienced management supported by healthy resource base:**

Capri group, through its flagship company CGCL, forayed into lending business in 2010 primarily focusing towards wholesale lending and has initiated its gradual shift towards a retail book. The Group's flagship company CGCL is a Joint Venture with a Chicago based investment management firm Capri Investments Group. Capri Group's credit profile is driven by strong managerial based and healthy capitalisation levels. Capri Group is promoted by Mr. Rajesh Sharma who is a chartered accountant and a first generation entrepreneur with an experience of over two decades in financial services. CGCL has a 7 member board led by Mr. Rajesh Sharma as the managing Director and 6 independent directors. The independent directors have over three to four decades of experience in the baking, financial services, public administration and insurance domains individually. The group's senior management team comprises of experienced industry professionals having a strong background in MSME lending, housing finance and construction finance segments.

CGCL's equity is listed on NSE and BSE with promoter and promoter group holding~75 percent and the remaining 25 percent is held by various companies such as Albula investment fund Limited, Gainful multitrade Private Limited. CGHFL, the housing finance arm of Capri Group is the wholly owned subsidiary of CGCL. On a consolidated basis, CGCL's Networth stood at Rs. 1453 Cr. as on September 30, 2019 as against Rs. 1383 Cr. as on March 31, 2019 and Rs. 1252 Cr. as on March 31, 2018. The capitalisation levels are healthy which has supported the Group's ability to raise long term funding from banks and financial institutions. The consolidated debt stood at Rs. 2700 Cr. as on September 30, 2019 as against Rs. 2858 Cr. as on March 31, 2019. The debt is from banks and financial institutions. The Group's gearing on a consolidated basis stood at 1.9 times as on September 30, 2019 as against 2.1 times as on March 31, 2019 and 1.3 times as on March 31, 2018. The gearing of CGHFL stood at 3.3 times as on September 30, 2019 as against 3.4 times as on March 31, 2019 and 1.5 times as on March 31, 2018. The overall capital adequacy levels of CGCL stood at 36.2 percent as on September 30, 2019 and that of CGHFL stood at 54.3 percent.

Acuité believes that the Group's credit profile will be supported by strong managerial base along with healthy capitalisation levels.

- **Increasing Focus towards retail book:**

Capri Group has established its market presence by diversifying its geographical presence and product profile. The Group's key offerings comprises of four product verticals namely construction financing, loans to MSMEs which are secured against property, housing finance and indirect lending to smaller NBFCs and MFIs. The group as a business strategy has discontinued fresh disbursements to the indirect lending vertical in the current year.

On a consolidated basis the group's Asset under Management (AUM) stood at Rs. 3957 Cr. as on September 30, 2019 as against Rs. 4103 Cr. as on March 31, 2019 and Rs. 2870 Cr. as on March 31, 2018. The key drivers of the growth in AUM has been the housing and MSME segment. The housing vertical composition to the overall AUM has increased to 21 percent as on September 30, 2019 from 9 percent as on March 31, 2018; similarly the loans to MSME's comprised 50 percent of the overall portfolio as on September 30, 2019. The increasing contribution of the MSME and housing finance loans to overall AUM indicates increasing focus of the management towards retail finance.

The loan portfolio outstanding as on September 30, 2019 was marginally lower than March 31, 2019 on account of a conscious strategy of the group to moderate its pace of disbursement in the indirect lending vertical and construction finance vertical. The increasing retail focus is also reflected in the lower ticket sizes of the loans. The average ticket size of the overall portfolio was Rs.

0.19 Cr. as on September 30, 2019 as against Rs. 0.32 Cr. as on March 31, 2018, which indicates the group's focus on increasing the granularity of its portfolio.

Acuité believes that the management's philosophy of focusing on the retail segment and moving towards the granular portfolio will augur well from a risk standpoint as the group's exposure to large borrowers will significantly come down.

Weakness

- **Susceptibility of asset quality to inherent risks in MSME segment and real estate sector:**

Capri Group has presence in the lending space since 2010. The company's primary focus of lending is MSME segment which contributes 50 percent of the overall portfolio as on September 30, 2019. The Group primarily caters to borrowers who are self-employed and are engaged in small businesses and trading activities. The cashflows of these borrowers are dependent on the overall economic activity in the region. Any slowdown in the overall economic activity is likely to impinge on the cashflows of these borrowers which in turn affect their credit profile. The gross NPAs in the MSME vertical has increased from 3.9 percent as on September 30, 2019 as against 2.2 percent as on March 31, 2018.

The company continues to be exposed to the vagaries of real estate industry. Real estate industry has seen a slowdown from demand as well as from a funding standpoint. The real estate sector has been witnessing a challenging operating environment which has impacted demand, cash flows and credit profiles of the realtors over the past few years. Though these exposures are secured by way of a mortgage of immovable properties, the overall tepid environment limits the lender's flexibility to unwind such exposures in the event of a distress. Additionally, a sustained slowdown in funding to the wholesale segment over the near to medium term may adversely impact the developer's ability to complete the existing projects in a timely manner as well as launch new projects. The Gross NPA from the construction finance vertical were 0.1 percent as on September 30, 2019 as against 0.9 percent as on March 31, 2018.

Acuité has observed that the group has initiated steps to take on granular exposures by increasing focus on housing finance. However since MSME and Construction finance segments comprise majority of the portfolio the risk of slippage in asset quality will remain elevated.

Rating Sensitivities:

- Movement in leverage indicators
- Movement in asset quality and profitability parameters

Material Covenants: Based on documents submitted by the company, the lenders have stipulated certain covenants relating to capitalisation levels, leverage and asset quality metrics and the company has been compliant with these covenants.

Liquidity Position: Adequate

CGHFL has adequately matched asset liability profile with no negative cumulative mismatches in the maturity buckets of upto based on ALM as on September 30, 2019. The company has undrawn bank lines of around Rs. 162 Cr. as on September 30, 2019 to support business needs or in case of any future mismatches. The company does not have any outstanding commercial papers as on date. The company has received in principal approval from a leading bank for securitization to the tune of Rs. 500 Cr. which provides a cushion in case of immediate liquidity requirements.

Outlook: Stable

Acuité believes that Capri group will maintain a 'Stable' outlook on account of its comfortable capital position and backing of experienced management. The outlook may be revised to 'Positive' in case of healthy growth in loan portfolio along with sustained asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of significant deterioration in asset quality thereby impacting profitability, or in case of skewedness in capital structure.

About the Capri Global Capital Limited (Consolidated)– Key Financials

Parameters	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	4253.7	2952.0	1984.5
Total Income*	Rs. Cr.	381.3	245.1	197.0
PAT	Rs. Cr.	135.7	64.9	58.1
Net Worth	Rs. Cr.	1382.7	1251.6	1192.8
Return on Average Assets (RoAA)	(%)	3.8	2.6	3.5
Return on Average Net Worth(RoNW)	(%)	10.3	5.3	5.1
Total Debt/Tangible Net Worth (Gearing)	Times	2.1	1.3	0.7
Gross NPA	(%)	1.5	1.5	1.0
Net NPA	(%)	0.5	1.3	0.8

* Total income equals to Net interest income plus other income

About Capri Global Housing Finance Limited (Standalone)– Key Financials

Parameters	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	917.7	254.1	59.3
Total Income*	Rs. Cr.	51.6	13.8	3.4
PAT	Rs. Cr.	7.1	(7.1)	0.8
Net Worth	Rs. Cr.	207.2	100.5	57.2
Return on Average Assets (RoAA)	(%)	1.2	(4.4)	1.7
Return on Average Net Worth(RoNW)	(%)	4.5	(8.8)	1.7
Total Debt/Tangible Net Worth (Gearing)	Times	3.4	1.5	0.1
Gross NPA	(%)	0.5	0.1	0.00
Net NPA	(%)	0.2	0.1	0.00

* 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

- Rating of Non-Banking Financing Entities : <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition : <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
December 07, 2018	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)

April 23, 2018	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	75.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	30.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	25.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	25.00	ACUITE A+/Stable (Reaffirmed)
	Proposed Bank Facility	Long term	245.00	ACUITE A+/Stable (Reaffirmed)
	Proposed Commercial Paper	Short Term	100.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Recommended Rating
Term Loan	NA	NA	NA	50.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	50.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	90.00	ACUITE A+/Stable (Assigned)
Term Loan	NA	NA	NA	50.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	150.00	ACUITE A+/Stable (Assigned)
Term Loan	NA	NA	NA	25.00	ACUITE A+/Stable (Reaffirmed)

Term Loan	NA	NA	NA	25.00	ACUITE A+/Stable (Assigned)
Term Loan	NA	NA	NA	75.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	30.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	50.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	25.00	ACUITE A+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	75.00	ACUITE A+/Stable (Assigned)
Term Loan	NA	NA	NA	25.00	ACUITE A+/Stable (Assigned)
Term Loan	NA	NA	NA	480.00	ACUITE A+/Stable (Reaffirmed)
Commercial Paper	NA	NA	NA	100.00	ACUITE A1+ (Withdrawn)

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About Acuité Ratings & Research:

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