

Press Release

Capri Global Housing Finance Limited

November 23, 2020

Rating Reaffirmed & Outlook Revised



Total Facilities	Rs. 1200.00 Cr.
Long Term Rating	ACUITE A+/ Outlook: Positive (Reaffirmed & Outlook; Revised)

*Refer annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 1200 crore bank facilities of Capri Global Housing Finance Limited. The outlook is revised from '**Stable**' to '**Positive**'.

Reason for Revision in Outlook

The rating factors in the company has demonstrated resilience and sustained performance amidst the significant economic disruption. The outlooks revision also reflects the expectation of economic revival and Acuite believes that the company is well positioned to leverage its capital structure and benefit from the demand for affordable housing and stabilization of operations of MSME Sector once economic environment stabilizes.

Capri Global Housing Finance Limited (CGHFL) has healthy capital structure and has demonstrated ability to attract funding from banks and financial institutions at a competitive rate of interests; this has enabled the company, strengthen its capital structure alongside ramp up of its scale of operations. CGHFL's Capital Adequacy Ratio (CAR) stood at 43.45% as on March 31, 2020, comprising mainly of Tier I capital and gearing 3.34 (times).

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 loans to MSMEs as loans secured against property and construction finance. All the loans are backed by collateral security. CGCL has two subsidiaries Capri Global Housing Finance Limited (CGHFL) and Capri Global Resources Private Limited (CGRPL). Capri Global Asset Reconstruction Private Limited (CGARPL) and Capri Global Capital (Mauritius) Limited (CGCML) ceased to be subsidiaries during FY2020. CGCL's equity is listed on BSE and NSE with the promoter and promoter group holding 74.9 percent as on September 30, 2020. The day-to-day operations are managed by Mr. Rajesh Sharma in the capacity of Managing Director. The group operates through 1440 employees across 78 locations in 8 states as on September 30, 2020.

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 a presence in Maharashtra, Gujarat, Delhi NCR, MP and Rajasthan through a network of 76 branches as on September 30, 2020.

Analytical approach:

Acuite 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 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

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 listed on both BSE and NSE and is part of NIFTY Smallcap 100 index. Capri Group's credit profile is driven by strong managerial based and healthy capitalization levels. Capri Group is promoted by Mr. Rajesh Sharma, who is a chartered accountant and a first generation entrepreneur with an experience of over 2.5 decades in financial services. CGCL has a 7 member board led by Mr. Rajesh Sharma as the managing Director and 1 Whole Time Director & 5 independent directors. The Whole Time Director and independent directors have over three to four decades of experience in the banking, 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 public, which includes mutual funds, foreign portfolio investors, individuals, bodies corporate etc. 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. 1638.3 Cr. as on September 30, 2020 as against Rs. 1539 Cr. as on March 31, 2020 and Rs. 1383 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. 2957 Cr. as on September 30, 2020 as against Rs. 2836 Cr. as on March 31, 2020. The debt is from banks and financial institutions. The Group's gearing on a consolidated basis stood at 1.81 times as on September 30, 2020 as against 1.84 times as on March 31, 2020 and 2.07 times as on March 31, 2019. The gearing of CGHFL stood at 3.71 times as on September 30, 2020 as against 3.34 times as on March 31, 2020 and 3.40 times as on March 31, 2019. The capital adequacy levels of CGCL stood at 41.62 percent as on September 30, 2020 and that of CGHFL stood at 35.49 percent.

Acuite believes that the Group's credit profile will be supported by a 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 loans to MSMEs which are secured against property, housing finance, construction financing 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 and now disburses short term finance to other NBFCs for treasury management activities backed by the security of AA and above rated bonds.

On a consolidated basis, the group's Asset Under Management (AUM) stood at Rs. 4161.3 Cr. as on September 30, 2020 as against Rs. 4034.9 Cr. as on March 31, 2020 and Rs. 4103.2 Cr. as on March 31, 2019. The loan portfolio outstanding as on September 30, 2020 was marginally higher than March 31, 2020 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 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 22 percent as on September 30, 2020 from 9 percent as on March 31, 2018; similarly the loans to MSME's comprised 51 percent of the overall portfolio as on September 30, 2020. The increasing contribution of the MSME and housing finance loans to overall AUM indicates increasing focus of the management towards retail finance.

Under the construction finance vertical, the company majorly lends to small and medium sized developers. 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, 2020 as against Rs. 0.32 Cr. as on March 31, 2018, which indicates the group's focus on increasing the granularity of its portfolio.

Acuite 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 a presence in the lending space since 2010. The company's primary focus of lending is MSME & Housing Finance segment which jointly contributes 73 percent of the overall portfolio as on September 30, 2020. 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. The current slowdown in the overall economic activity has impacted the cashflows of these borrowers, the extent of impact on their credit profile will be known in the second half of the current year. The gross NPAs in the MSME vertical has increased from 3.67 percent as on September 30, 2020 as against 2.76 percent as on March 31, 2019.

The company continues to be exposed to the vagaries of the 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 an exclusive mortgage of immovable properties with escrow mechanism, the overall tepid environment limits the lender's flexibility to unwind such exposures in the event of 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 0.18 percent as on September 30, 2020 as against 0.14 percent as on March 31, 2019.

Acuite 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 a 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:

Capri Group is subject to covenants stipulated by its lenders in respect of various parameters. As per confirmation received from client, vide mail dated November 03, 2020. 'The company is complying with the material covenants imposed by its lenders/investors.'

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 March 31, 2020. The company has undrawn bank lines of around Rs. 325 Cr. and liquid investments of Rs. 234 Cr as on October 20, 2020 to support the growth requirements of the company. CGHFL has not sought moratorium from any of its lenders. Till October 2020, CGHFL has prepaid / repaid ~84% of its scheduled liabilities due in FY 20-21.

Outlook: Positive

Acuite believes that Capri group's credit profile will benefit from the buoyancy in the environment once the economic revival is demonstrated on sustainable basis. The rating could be upgraded if the company is able to demonstrate a sustained growth in AUM while maintaining Capital Adequacy as per RBI / NHB, Asset Quality and profitability at healthy levels. Conversely, the outlook may be revised to stable if the company faces higher than expected asset quality pressures or significant deterioration in profitability parameters.

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

Parameters	Unit	FY2020	FY2019
Total Assets	Rs. Cr.	4430.29	4253.66
Total Income*	Rs. Cr.	429.23	381.27
PAT	Rs. Cr.	161.23	135.66
Net Worth	Rs. Cr.	1539.18	1382.68
Return on Average Assets (RoAA)	(%)	3.71	3.77
Return on Average Net Worth (RoNW)	(%)	11.04	10.30
Debt/Equity	Times	1.84	2.07
Gross NPA	(%)	2.36	1.47
Net NPA	(%)	0.77	0.53

* Total income equals to Net interest income plus other income

About Capri Global Housing Finance Limited – Key Financials

Parameters	Unit	FY2020	FY2019
Total Assets	Rs. Cr.	1014.72	917.68
Total Income*	Rs. Cr.	72.06	51.62
PAT	Rs. Cr.	24.34	6.98
Net Worth	Rs. Cr.	231.53	207.21
Return on Average Assets (RoAA)	(%)	2.52	1.19
Return on Average Net Worth (RoNW)	(%)	11.09	4.54
Debt/Equity	Times	3.34	3.40
Gross NPA	(%)	1.21	0.53
Net NPA	(%)	0.39	0.16

* 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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
December 03, 2019	Term Loan	Long Term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	90.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long Term	50.00	ACUITE A+/Stable (Reaffirmed)

	Term Loan	Long Term	150.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long Term	75.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long Term	75.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long Term	480.00	ACUITE A+/Stable (Reaffirmed)
	Commercial Paper	Short Term	100.00	ACUITE A1+ (Withdrawn)
December 07, 2018	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Reaffirmed)
	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)
April 23, 2018	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	75.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	30.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	25.00	ACUITE A+/Stable (Assigned)
	Term Loan	Long term	50.00	ACUITE A+/Stable (Assigned)

	Term Loan	Long term	25.00	ACUITE A+/Stable (Assigned)
	Proposed Bank Facility	Long term	245.00	ACUITE A+/Stable (Assigned)
	Proposed Commercial Paper	Short Term	100.00	ACUITE A1+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of sanction	Date of Maturity	Amount (Rs. Cr.)	Ratings/Outlook
Term Loan	29.11.2017	31.12.2025	33.92	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	10.01.2020	31.01.2028	192.85	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	04.06.2020	30.06.2025	200.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	01.12.2017 & 26.06.2018	31.12.2022 & 30.04.2023	-	-
Term Loan	26.06.2018	31.07.2023, 31.10.2023 & 31.12.2023	1.25	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	16.10.2017	30.11.2025	36.47	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	08.08.2018	30.08.2025, 30.09.2025, 30.11.2025, 31.12.2025	115.83	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	06.11.2017	27.02.2026	19.66	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	01.12.2017	28.02.2026	17.86	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	26.09.2019	31.08.2027	23.21	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	20.11.2017	31.12.2024	53.13	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	30.10.2017	28.02.2026	23.58	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	20.01.2018	28.02.2026	35.68	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	20.01.2018	10.08.2026	58.92	ACUITE A+/Positive (Reaffirmed; Outlook Revised)

Term Loan	13.05.2020	NA	50.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	12.06.2018	14.06.2026	18.76	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	18.05.2020	NA	75.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
Term Loan	NA	NA	243.88	ACUITE A+/Positive (Reaffirmed; Outlook Revised)

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About Acuité Ratings & Research:

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