

## Press Release

### Capri Global Housing Finance Limited

June 29, 2021



### Rating Upgraded; Outlook Revised

<b>Total Bank Facilities Rated</b>	Rs. 1200.00 Cr.
Long Term Rating	ACUITE AA-/ Stable (Upgraded; Outlook Revised)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE AA-**' (**read as ACUITE double A minus**) on the Rs. 1200.00 Cr. bank facilities of Capri Global Housing Finance Limited (CGHFL). The outlook is revised from '**Positive** to '**Stable**'.

### Reason for Upgrade

The rating upgrade factors in strong capital raising ability of the Capri Global Group at competitive rates coupled with continued shift in the loan book towards granular portfolio. The rating revision continues to factor in experienced management as well as comfortable credit and liquidity buffers. The rating considers CGCL's comfortable capitalization levels marked by networth of Rs. 1,717 Cr. with a leverage at 2.19 times as on March 31, 2021 (consolidated). CGCL's (standalone) CAR stood at 35.46 percent, CGHFL's (standalone) CAR stood at 31.16 percent as on March 31, 2021. The rating also factors in sustained growth in AUM of CGCL (consolidated) from Rs. 4,035 Cr. as on March 31, 2020 to Rs. 4,848 Cr. as on March 31, 2021. The company on a consolidated basis has prepaid/repaid ~64 percent of its total term loans due in FY2022 and also have been able to bring down its costs of funds. While Acuite takes cognizance of some weakness in CGCL's asset quality on account of prevailing Covid-19 pandemic; consolidated GNPA slipped to 3.3 percent as on March 31, 2021 from 2.36 percent as on March 31, 2020, the company has comfortable provisioning buffers. Acuité has also noted a shift towards more granular lending, which coupled with consolidated provision cover of ~73% is expected to provide some cushion against asset quality shocks going forward.

Some of these rating strengths however, are constrained by Capri Group's exposure towards inherent risks in MSME segment and real estate sector, moderate seasoning of housing finance portfolio. Going forward, the group's ability to profitably continue the scale-up in business, to raise resources at competitive rates and maintain asset quality of its growing portfolio shall be key monitorables.

### 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 loans secured against property and construction finance. All the loans are backed by property collateral. CGCL has two subsidiaries Capri Global Housing Finance Limited (CGHFL) and Capri Global Resources Private Limited (CGRPL). CGCL's equity is listed on BSE and NSE with the promoter and promoter group holding 74.9 percent as on March 31, 2021.

CGCL is promoted by Mr. Rajesh Sharma (Managing Director) and the day-to-day operations are managed by the team led by Mr. Sharma. The group operates through 1900 employees across 87 locations in 10 states as on May 31, 2021.

### 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, Madhya Pradesh and Rajasthan through a network of 85 branches as on May 31, 2021.

## **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 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 & healthy resources raising ability**

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 is promoted by Mr. Rajesh Sharma, who is a chartered accountant and a first-generation entrepreneur with an experience of around three decades in financial services. CGCL has a 7-member board having 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. 1,717 Cr. as on March 31 2021 as against Rs. 1,539 Cr. as on March 31, 2020. 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. 3,769 Cr. as on March 31, 2021 (audited financials) as against Rs. 2,837 Cr. as on March 31, 2020. The Group is moderately levered and its gearing on a consolidated basis stood at 2.19 times as on March 31, 2021 as against 1.84 times as on March 31, 2020. The gearing of CGHFL stood at 4.36 times as on March 31, 2021 as against 3.34 times as on March 31, 2020. The capital adequacy levels of CGCL (standalone) stood at 35.46 percent as on March 31, 2021 and that of CGHFL (standalone) stood at 31.16 percent.

Acuité believes that the Group's operations are supported by its strong resources raising ability at competitive rates.

- Increasing focus towards retail book**

Over the last few years, the group has been diversifying its portfolio towards granular MSME and housing loans. The Group's portfolio 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 also disburses short term finance to other companies for treasury management activities backed by the security of A+ and above rated bonds.

On a consolidated basis, the group's Asset Under Management (AUM) increased to Rs. 4,848 Cr. as on March 31, 2021 from Rs. 4034.9 Cr. as on March 31, 2020. The growth in AUM during FY2021 was driven by Housing Finance segment which grew from Rs. 792.7 Cr. as on March 31, 2019 to Rs. 1,155.3 Cr. as on March 31, 2021 (comprising ~28.3 percent of AUM) and its core MSME segment which stood at Rs. 2,511.4 Cr. as on March 31, 2021 (comprising ~51.8 percent of AUM consolidated). The Group adopted cautious strategy towards its Construction Finance segment keeping in view the current economic environment.

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. 0.16 Cr. as on December 31, 2021 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.

- **Earning Profile**

At group level, the lending businesses can be categorized into various segments namely MSMEs, housing finance, construction financing and indirect lending to smaller NBFCs and MFIs. On a consolidated basis, Capri Group's profitability indicators are healthy marked by Operating Expenses to Earning Assets (Opex) improved at 3.95 percent as on March 31, 2021 from 5.72 percent as on March 31, 2020. Return on Average Assets (RoAA) at 3.46 percent as on March 31, 2021 from 3.71 percent as on March 31, 2020. Net Interest Margins (NIM) also declined to 8.21 percent as on March 31, 2021 from 9.86 percent as on March 31, 2020. The group reported a PAT of Rs. 177 Cr. for FY2021 (P.Y Rs. 161 Cr.) While there has been some moderation due to lower disbursements due to the cautious approach of the management coupled with credit costs, the profitability continues to be healthy.

On standalone basis, CGHFL's RoAA improved to 2.69 percent as on March 31, 2021 from 2.52 percent as on March 31, 2020. Improvement in Opex was also seen which stood at 4.12 percent as on March 31, 2021 from 5.64 percent as on March 31, 2020. Decline in NIM was reported which reduced from 7.43 percent as on March 31, 2020 to 6.83 percent as on March 31, 2021. CGHFL reported a PAT of Rs. 33.48 Cr. for FY2021 (P.Y Rs. 24.34 Cr.)

## **Weaknesses**

- **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 ~76 percent of the overall portfolio as on March 31, 2021. 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 Gross NPAs in the MSME vertical has increased to 5.5 percent as on March 31, 2021 as against 4.04 percent as on March 31, 2020. While Acuite takes cognizance of some weakness in CGCL's asset quality on account of prevailing Covid-19 pandemic, asset quality of this segment is key monitorable.

Through its construction finance segment 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 0.2 percent as on March 31, 2021 as against 0.17 percent as on March 31, 2020.

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 considerable portion of the portfolio the risk of slippage in asset quality will remain elevated.

- **Moderately seasoned housing finance portfolio**

CGHFL established its operations from FY2016 and provides home loans for 15-20 years. The company has built an AUM of Rs. 1,155.3 Cr. as on March 31, 2021 as compared to Rs. 898.39 Cr. as on March 31, 2020. The disbursements have picked up over the last few years, 253.3 Cr. in FY2020 and Rs. 509 Cr. in FY2019. In the FY2021, the company has disbursed Rs. 327.4 Cr. As the majority of the portfolio has been originated over the last three years, the seasoning of the portfolio is yet to be demonstrated. While the portfolio has been resilient in the present environment, the company's ability to maintain growth in AUM while maintaining asset quality at healthy levels is yet to be demonstrated.

Acuite believes that going forward the ability of the company to maintain growth in its AUM while maintaining its asset quality will be a key rating sensitivity.

### Rating Sensitivity

- Movement in leverage and capitalization indicators
- Movement in asset quality and profitability metrics
- Movement in liquidity and credit buffers

### Material Covenants

Capri Group is subject to covenants stipulated by its lenders/investors in respect of various parameters. As per confirmation received from the client, 'The company is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.'

### Liquidity Position: Adequate

CGHFL (standalone) has adequately matched asset liability profile with no negative cumulative mismatches in the maturity buckets based on ALM as on March 31, 2021. The company has undrawn bank lines of around Rs. 469 Cr. and cash and cash equivalents of Rs. 8 Cr. and liquid investments of Rs. 181 Cr as on May 31, 2021 to support the growth requirements of the company. As on June 15, 2021 the company on a consolidated basis has prepaid / repaid ~64 percent of its total term loans due in FY2022.

### Outlook: Stable

Acuité believes that Capri Group's credit profile will be supported by its experienced management, support from CGCL and healthy capitalisation level. The outlook may be revised to 'Positive' in case the company is able to scale up its loan book significantly while maintaining its asset quality and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in asset quality/ profitability metrics or significant concentration of portfolio towards real estate sector.

### About Rated Entity – Key Financials – CGHFL (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	1473.76	1014.72
Total Income*	Rs. Cr.	83.46	72.06
PAT	Rs. Cr.	33.48	24.34
Net Worth	Rs. Cr.	265.01	231.53
Return on Average Assets (RoAA)	(%)	2.69	2.52
Return on Average Net Worth (RoNW)	(%)	13.48	11.09
Debt/Equity	Times	4.36	3.34
Gross NPA	(%)	1.80	1.21
Net NPA	(%)	0.40	0.39

\* Total income equals to Net interest income plus other income

### About Rated Entity – Key Financials – CGCL (Consolidated)

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	5787.35	4430.29
Total Income*	Rs. Cr.	448.43	429.23
PAT	Rs. Cr.	176.96	161.23
Net Worth	Rs. Cr.	1717.30	1539.18
Return on Average Assets (RoAA)	(%)	3.46	3.71
Return on Average Net Worth (RoNW)	(%)	10.87	11.04
Debt/Equity	Times	2.19	1.84
Gross NPA	(%)	3.30	2.36
Net NPA	(%)	0.90	0.77

\* Total income equals to Net interest income plus other income

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

Not Applicable

**Any other information**

Not Applicable

**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>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Nov-2020	Term Loan	Long Term	33.92	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	192.85	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	200.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	1.25	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	36.47	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	115.83	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	19.66	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	17.86	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	23.21	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	53.13	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	23.58	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	35.68	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	58.92	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	50.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	18.76	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
	Term Loan	Long Term	75.00	ACUITE A+/Positive (Reaffirmed; Outlook Revised)

	Proposed Bank Facility	Long Term	243.88	ACUITE A+/Positive (Reaffirmed; Outlook Revised)
03-Dec-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)
07-Dec-2018	Commercial Paper	Short Term	100.00	ACUITE A1+ (Withdrawn)
	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)

\*Annexure – Details of instruments rated

Name of Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	29.11.2017	Not Available	31.12.2025	33.89	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	10.01.2020	Not Available	31.01.2028	92.68	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	04.06.2020	Not Available	30.06.2025	200.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	16.10.2017	Not Available	30.11.2025	33.91	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	08.08.2018	Not Available	31.12.2025	115.64	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	09.12.2020	Not Available	30.09.2027	25.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	06.11.2017	Not Available	27.02.2026	17.86	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	01.12.2017	Not Available	28.02.2026	17.84	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	20.11.2017	Not Available	31.12.2024	46.66	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	30.10.2017	Not Available	28.02.2026	21.41	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	20.01.2018	Not Available	28.02.2026	35.67	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	03.04.2020	Not Available	10.08.2028	50.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	26.07.2018	Not Available	15.08.2026	58.93	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	13.05.2020	Not Available	Not Available	50.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	15.02.2021	Not Available	31.03.2029	50.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	12.06.2018	Not Available	14.06.2026	18.74	ACUITE AA-/Stable (Upgraded; Outlook Revised)

Term Loan	18.05.2020	Not Available	Not Available	75.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Term Loan	20.01.2021	Not Available	31.03.2028	1.00	ACUITE AA-/Stable (Upgraded; Outlook Revised)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	255.77	ACUITE AA-/Stable (Upgraded; Outlook Revised)

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### About Acuité Ratings & Research:

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