

Press Release

CAPRI GLOBAL HOUSING FINANCE LIMITED

September 24, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	1300.00	ACUITE AA Stable Assigned	-
Bank Loan Ratings	825.00	ACUITE AA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	2125.00	-	-



Rating Rationale

Acuité has reaffirmed its long-term rating of 'ACUITE AA' (read as ACUITE Double A) on the Rs. 825.00 Cr. bank facilities of Capri Global Housing Finance Limited (CGHFL). The outlook is 'Stable'.

Acuité has assigned its long-term rating of 'ACUITE AA' (read as ACUITE Double A) on the Rs. 1300.00 Cr. bank facilities of Capri Global Housing Finance Limited (CGHFL). The outlook is 'Stable'.

Rationale for the rating

The rating action takes into consideration the sustained improvement in the earning profile, capital position and asset quality of Capri Global Group. . The AUM of CGCL (consolidated) increased to Rs. 15,652.94 Cr. as on March 31, 2024 from Rs. 10,320.40 Cr. as on March 31, 2023. The PAT has also improved from Rs.204.65 Cr. In FY23 to Rs. 279.41 Cr. In FY24. CGCL on a consolidated basis reported Net non-performing assets (NNPA) of 1.10 percent as on March 31, 2024 against 1.21 percent as on March 31, 2023. The rating continues to drive support from CGCL's comfortable capitalization levels marked by networth of Rs. 3836.57 Cr. with a leverage at 2.72 times as on March 31, 2024 (consolidated). CGCL's (standalone) stood at 26.62 percent as on March 31, 2024. The company had raised fresh capital of Rs. 1,440 Cr during Q4FY23 through rights-issue which has helped them augment their capital position. The rating also considers the AUM composition shifting towards more secured and safer assets like Gold Loan & Housing finance Loan along with diversification of revenue into fees based services. The rating is however constrained by moderation in the profitability metrics as indicated by a decline in Return on Average Assets (ROAA) to 2.08 percent in FY2024 from 2.17 percent in FY2023, however PAT is improving in FY24. Further the rating also factors high concentration of loan portfolio in the top 5 states (Maharashtra, Madhya Pradesh, Rajasthan, Haryana and Gujarat) comprising ~80 percent of the AUM, moderate seasoning of the scaled-up loan book and its incremental contribution to the profitability indicators, high operating expenses on account of addition of new branches and susceptibility to risk inherent in the MSME and construction finance segment. Going forward, the group's ability to profitably continue the scale-up in business, particularly the gold loan segment, raising resources at competitive rates and maintenance of asset quality of its growing portfolio shall remain key monitorable.

About the Company

Capri Global Housing Finance Ltd. (CGHFL) received certificate of registration from NHB on September 28, 2015, to commence operations as a Housing Finance Company. The company is a 100% subsidiary of Capri Global Capital Ltd. (CGCL). The company started its operations from December 2015 which is based out of Mumbai. Mr Rajesh Sharma is the primary promoter

of the group

About the Group

Capri Global Capital Limited (CGCL) is the flagship company of Capri Group which was incorporated in 1994 which is based in Mumbai. It is non-deposit taking systemically important non-banking finance company (NBFC-ICC) engaged in extending loans to MSMEs loans secured against property and construction finance. CGCL has a subsidiary Capri Global Housing Finance Limited (CGHFL). CGCL's equity is listed on BSE and NSE with the promoter and promoter group holding 69.91 percent as on September 30, 2023. CGCL is promoted by Mr. Rajesh Sharma (Managing Director) and the day-to-day operations are managed by the team led by Mr. Rajesh Sharma.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Capri Global Capital Limited (Parent Company) and its subsidiary Capri Global Housing Finance Limited. This consolidation is in the view of the common promoters, shared brand name and strong financial and operation synergies.

Key Rating Drivers

Strength

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 gradually shifted towards a retail book. The Group's flagship company CGCL is listed on both BSE and NSE. Capri Group is promoted by Mr. Rajesh Sharma, with an experience of around three decades in financial services sector. CGCL has a board comprising of six members with an experience of more than three to four decades in the banking, financial services, public administration sectors. The promoter group holds ~70 percent and the remaining 30 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 a wholly owned subsidiary of CGCL. On a consolidated basis, CGCL's Networth stood at Rs. 3836.57 Cr. and AUM of Rs.15,652.94 Cr. as on March 31, 2024. The group in Q4FY2023 has raised capital through a rights issue of Rs.1,440 Cr. which has led to healthy capitalization levels. The capital adequacy levels of CGCL (standalone) stood at 26.62 percent as on March 31, 2024. The Group is moderately levered and its consolidated gearing stood at 2.72 times as on March 31, 2024, which provides scope for incremental leverage to support the growth in loan book.

Sustained growth in AUM through focus diversification of portfolio

Over the last few years, the group has been diversifying its portfolio towards granular MSME and housing loans and into gold loans. The Group's portfolio comprises of four product verticals namely, loans to MSMEs which are secured against property, housing finance, construction finance, gold loans and indirect lending to smaller NBFCs and MFIs. The company had forayed into the gold loan vertical during FY2023 as a conscious attempt to increase their focus towards diversification of the loan book. CGCL has added 188 dedicated branches in FY2024 which has helped them scale up the gold loan book to Rs 2,823.57 Cr. (as on March 31, 2024) in a short span of time. The consolidated Asset Under Management (AUM) increased to Rs.15,652.94 Cr. as on March 31, 2024 from Rs. 10,320.40 Cr. as on March 31, 2023. The growth in AUM was driven by growth across all product verticals. The Group has adopted cautious strategy towards its Construction Finance segment and

intends to limit the exposure to Construction Finance to under 20 percent of AUM going forward. Under the construction finance vertical, the company majorly lends to small and medium sized developers with an average ticket size of Rs.7-10 Cr. amidst a range of Rs.2 to 60 Cr. exposure towards a project.

Acuité believes that the management's philosophy of focusing on the retail segment and lending towards granular assets is likely to augur well from a risk standpoint.

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 ~63 percent of the overall portfolio as on March 31, 2024. 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 Gross NPAs in the MSME vertical stood at 3.89 percent as on March 31, 2024. Through its construction finance segment the company continues to be exposed to the vagaries of the real estate industry. Though these exposures are secured by way of an exclusive mortgage of immovable properties with an escrow mechanism. 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.

Acuité has observed that the group's initiated steps to take on granular exposures by focussing on housing finance. However, since MSME and Construction finance segments comprise considerable portion of the portfolio, the risk of slippage in asset quality will be a key monitorable.

Moderate earning profile

On a consolidated basis, Capri Group's profitability indicators have moderated during FY2024 marked by Return on Average Assets (RoAA) at 2.08 percent as on March 31, 2024 from 2.17 percent as on March 31, 2023. The decline is attributable to increase in Operating Expenses, the Operating Expenses to Earning Assets (Opex) stands at 7.48 percent as on March 31, 2024 from 6.17 percent as on March 31, 2023. However Net Interest Margins (NIM) also improved to 9.68 percent as on March 31, 2024 from 8.71 percent as on March 31, 2023. The group's PAT levels have also improved in FY24 as the group reported PAT of Rs. 279.41 Cr in FY 2024 and sizeable income is derived from CSA (Corporate Selling Agent) business for car loan origination indicating contribution of fee based revenue in the overall revenue stream. While there has been some moderation in the profitability levels due to the heavy opex incurred on the gold loan vertical.

Going forward ability of the company to build its loan portfolio while improving its profitability and sustain the growth in its fee based income will remain a monitorable.

ESG Factors Relevant for Rating

Capri Global Capital Limited (CGCL) 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. CGCL has been focusing on extending loans to MSMEs loans secured against property and construction finance. The Capri group board comprises of six members with an experience of more than three to four decades in the banking, financial services, public administration sectors. The group companies maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. The group companies 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, CGCL is actively engaged in community development programmes through its CSR activities.

Rating Sensitivity

- Movement in incremental cost of borrowing
- Movement in ROAA and profit levels
- Movement in asset quality indicators
- Movement in liquidity buffers

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, 2024. The cash and bank balance stood at Rs 266.83 Cr. as on March 31, 2024.

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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	4468.54	2815.96
Total Income*	Rs. Cr.	269.88	174.10
PAT	Rs. Cr.	71.70	62.05
Net Worth	Rs. Cr.	790.16	518.88
Return on Average Assets (RoAA)	(%)	1.97	2.56
Return on Average Net Worth (RoNW)	(%)	10.95	12.70
Debt/Equity	Times	4.13	4.09
Gross NPA	(%)	1.31	1.24
Net NPA	(%)	0.80	0.76

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

Key Financials (Consolidated)

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	15079.07	11753.71
Total Income*	Rs. Cr.	1476.61	931.77
PAT	Rs. Cr.	279.41	204.65
Net Worth	Rs. Cr.	3836.57	3565.47

Return on Average Assets (RoAA)	(%)	2.08	2.17
Return on Average Net Worth (RoNW)	(%)	7.55	7.46
Debt/Equity	Times	2.72	2.11
Gross NPA	(%)	1.92	1.74
Net NPA	(%)	1.10	1.21

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

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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>
- Application Of 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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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
31 Aug 2024	Term Loan	Long Term	94.60	ACUITE AA Stable (Upgraded from ACUITE AA- Stable)
	Proposed Long Term Bank Facility	Long Term	359.00	ACUITE AA Stable (Upgraded from ACUITE AA- Stable)
	Term Loan	Long Term	371.40	ACUITE AA Stable (Upgraded from ACUITE AA- Stable)
16 Jan 2024	Proposed Long Term Bank Facility	Long Term	825.00	ACUITE AA- Stable (Assigned)
20 Aug 2021	Term Loan	Long Term	33.91	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	200.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	92.68	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	33.89	ACUITE AA- (Withdrawn)
	Proposed Long Term Bank Facility	Long Term	255.77	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	1.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	75.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	18.74	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	50.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	50.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	58.93	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	50.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	35.67	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	21.41	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	46.66	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	17.84	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	17.86	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	25.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	115.64	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	1.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	75.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	18.74	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
		Long		ACUITE AA- Stable (Upgraded from

29 Jun 2021	Term Loan	Term	50.00	ACUITE A+ Positive)
	Term Loan	Long Term	50.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	58.93	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	50.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	35.67	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	21.41	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	46.66	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	17.84	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	17.86	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	25.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	115.64	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	33.91	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	200.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	92.68	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Term Loan	Long Term	33.89	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)
	Proposed Long Term Bank Facility	Long Term	255.77	ACUITE AA- Stable (Upgraded from ACUITE A+ Positive)

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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	359.00	ACUITE AA Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1300.00	ACUITE AA Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	18 Dec 2023	Not avl. / Not appl.	31 Dec 2030	Simple	371.40	ACUITE AA Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	29 Dec 2023	Not avl. / Not appl.	31 Mar 2031	Simple	94.60	ACUITE AA Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Capri Global Housing Finance Limited
2	Capri Global Capital Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Shabad Palakkal Associate Analyst-Rating Operations Tel: 022-49294065 shabad.palakkal@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.