

Press Release

Laxmi India Finleasecap Private Limited

December 12, 2019

Rating Reaffirmed, Assigned and Withdrawn



Facility	Rs. 148.05 crore
Long Term Rating	ACUITE BBB+/ Outlook: Stable

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 125.84 crore bank facilities and has assigned the rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 22.21 crore bank facilities of Laxmi India Finleasecap Private Limited (LIFPL). The outlook is 'Stable'.

Further, Acuite has withdrawn the rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 4.80 crore bank facilities of LIFPL. The rating is being withdrawn on account of request received from the company and No due certificate from the bankers.

About LIFPL:

Incorporated in 1996, LIFPL is a Jaipur based NBFC registered with RBI. LIFPL is promoted by Mr. Deepak Baid and Mrs. Prem Devi Baid and is engaged in vehicle financing, Loan against property (LAP) catering micro, small and medium enterprises and unsecured personal and business loans to individuals.

The company commenced operations in April 2011 upon merger with Deepak Finance & Leasing Company - a proprietorship firm engaged in extending credit in Rajasthan. Initially the company financed 3-wheeler and 4-wheeler commercial and non-commercial vehicles in Jaipur and nearby areas and subsequently extended its operations to various rural and semi urban areas in Rajasthan.

The company operates through a network of 84 branches in Rajasthan and Gujarat and caters to 11528 borrowers as on September 30, 2019.

Analytical Approach

Acuite has considered standalone business and financial risk profile of LIFPL to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of Promoters:

Mr. Deepak Baid, promoter of LIFPL, has over two decades of experience in the financial services industry and has played a vital role in building the company's current scale and presence in Rajasthan. The Board of Directors comprises Mr. Deepak Baid (Managing Director), Mrs. Prem Devi Baid (Director), Mrs. Anisha Baid (Director) and Mr. Surendra Mehta (Independent Director). They have over a decade of experience in the financial services industry. The company in FY2019, has on boarded Mr. Kishore Kumar Sansi (Independent Director), who has over a decade of banking expertise and has been associated with various public sector bank.

Over the years, LIFPL has successfully expanded its operations to 84 branches across Rajasthan and has initiated lending in Gujarat. The company's AUM has grown to Rs. 326.4 crore as on March 31, 2019 from Rs. 200.0 crore as on March 31, 2018. The growth continued through the first half of FY2020 as the company reported an AUM of Rs. 367.9 crore as on September 30, 2019.

LIFPL reported a networth of Rs. 86.5 crore as on September 30, 2019 as compared to Rs. 76.9 crore as on March 31, 2019, supported by equity infusions of Rs. 5.0 crore by promoter group along with plough back of profit. As on September 30, 2019, net worth includes Rs. 8.2 crore of unsecured loans treated as quasi equity as the promoters have committed to retain the same. The company has reported a gearing of 3.6

times as on September 30, 2019 as against 3.8 times as on March 31, 2019. The promoters are resourceful with a track record of funds infusion in the company. The promoter and his family have infused Rs. 23.3 in two years ended March 31, 2019. The company as a policy maintains capitalisation levels at/above 20 percent. LIFPL's overall capital adequacy stood at 21.1 percent as on September 30, 2019 with Tier 1 CAR of 20.6 percent.

Acuite believes that the company's growth prospects will be supported by the promoter's experience in the industry along with their demonstrated track record of resource raising ability.

- **Healthy growth in scale of operations:**

LIFPL on the back of its established presence in the lending segment along with strong foothold in its key operating geographies, has demonstrated a healthy growth. The company has put in place stringent underwriting standards and credit policies which is reflective of maintained asset quality and profitability levels which in turn supports the healthy growth. The company is engaged in extending Loan against property (LAP), vehicle financing, along with construction financing and commercial tractor loans.

LIFPL had an Asset under Management (AUM) of Rs. 367.9 crore as on September 30, 2019 of which on-book portfolio stood at Rs. 349 crore. Of the on-book portfolio, LAP loans (MSME) contributed ~80 percent, Vehicle financing contributed ~12 percent and the remaining was contributed by Construction finance and others. Primarily focused in extending LAP loans to MSME's, the company's portfolio is granular in nature with a ticket size of upto 60 lakhs and is maintaining Loan to value ratio of below 50 percent in 59 percent of the overall AUM. Further, larger part of the LAP loans is for business needs as these the borrower profile includes retailers and businessmen having steady cashflows.

The growth in loan portfolio is coupled with healthy earning profile. LIFPL's Net Interest Margins (NIMs) have improved to 9.1 percent in FY2019 as against 8.5 percent in FY2018, primarily supported by the company's ability to lend at competitive and profitable lending rates. The company reported NIMs of 7.1 percent (annualized) for H1 FY2020. The company's Return on Average Assets (ROAA) have improved to 3.1 percent in FY2019 from 2.2 percent in FY2018, primarily due to maintained operating expenses to earning assets ratio of 4.2 percent in FY2019 as against 4.2 percent in FY2018 and no headwinds faced in managing asset quality. However, with increase in number of branches in first half of FY2020 operating expenses to earning asset ratio increased to 4.4 percent and lower RoAA at 2.8 percent (annualized) was reported by the company. The bad debts written off has increased to Rs. 1.1 crore in FY2019 from Rs. 0.6 crore in FY2018.

Acuite expects that the company will continue to maintain the envisaged growth rate along with profitability at healthy levels on the back of continued capital support from promoters and stringent underwriting and credit policies in place.

Weaknesses

- **Susceptibility of asset quality to seasoning and concentration risk:**

LIFPL forayed in the lending segment in 2011, however had commenced extending Loan against Property since 2015 having an average tenure of upto 7 years. The company's loan book of Rs. 349 crore has grown significantly to Rs. 304 crore as on March 31, 2019 from Rs. 105 crore as on March 31, 2017. Due to substantial growth in the loan book in the last three years, ~58 percent of the overall portfolio as on March 31, 2018, has a seasoning of less than one year. The company has maintained its asset quality in the last two years, with GNPA of 1.2 percent as on March 31, 2019 as against 1.0 percent as on March 31, 2018. Increase in GNPA was reported by the company at 1.6 percent as on September 30, 2019.

Further, the company's operations are concentrated in Rajasthan with 98.6 percent of the portfolio outstanding as on September 30, 2019 being disbursed in the state. The company has started its operations in Gujarat and plans to increase its presence. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of LIFPL's borrowers.

Acuite believes that the company's ability to maintain its asset quality given the low seasoned loan book and increased presence in the newer geographies will remain a key rating monitorable.

Rating Sensitivity:

- Movement in asset quality
- Movement in leverage indicators

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

Liquidity: Adequate

LIFPL's overall liquidity profile remains adequate with no-mismatches in upto 1-year buckets supported by cash and bank balances of Rs. 7.2 crore. The company's average tenure of borrowings is ~4 years while its advances average to ~ 6 years. The company has identified securitization as one of the alternatives to support liquidity in case of any requirement. The company has completed a PTC of Rs. 18.89 crore in H1 2020. The Company's liquidity profile is further supported by working capital line of Rs. 5 crore which was on an average of 12 months ended September 30, 2019, 38 percent utilized.

Outlook: Stable

Acuite believes that LIFPL will maintain a 'Stable' outlook over the near to medium owing to established track record of promoters in lending and their resource raising ability along with demonstrated growth in loan portfolio while maintaining asset quality and profitability metrics. The outlook may be revised to 'Positive' in case of higher than envisaged growth in loan portfolio while maintaining profitability and asset quality metrics. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in asset quality or profitability metrics or in case of headwinds faced by promoters in raising resources in a timely and profitable manner or in case of any deterioration in capital structure or capitalization levels.

About the Rated Entity - Key Financials

Particulars	Unit	FY19 (Actual)	FY18 (Actual)
Total Assets	Rs. Cr.	374.38	228.94
Total Income*	Rs. Cr.	28.16	15.38
PAT	Rs. Cr.	9.45	3.85
Networth	Rs. Cr.	76.87	61.24
Return on Average Assets (RoAA)	(%)	3.13	2.21
Return on Net Worth (RoNW)	(%)	13.68	7.57
Total Debt/Tangible Net Worth (Gearing)	Times	3.78	2.67
Gross NPA's	(%)	1.21	1.01
Net NPA's	(%)	1.03	0.86

* 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

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jul-2019	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	3.12	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	6.21	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	19.48	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.03	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	6.02	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	18.65	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	5.97	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	5.83	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	3.24	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	1.56	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	0.17	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.03	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	3.44	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.63	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.25	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.58	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	8.13	ACUITE BBB+/Stable (Reaffirmed)

	Proposed Non - convertible Debentures	Long Term	10.00	ACUITE Provisional BBB+ (Withdrawn)
26-Jun-2019	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	3.12	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	6.21	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	19.48	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	4.03	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	0.21	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	6.02	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	18.65	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	5.97	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	5.83	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	3.24	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	1.56	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	2.50	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	0.17	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	2.03	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	3.44	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	4.63	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	4.25	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)

	Term Loan	Long Term	4.58	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	4.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	15.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	8.13	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Proposed Non - convertible Debentures	Long Term	10.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
27-Jul-2018	Cash Credit	Long Term	5.00	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	4.47	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	11.93	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	25.16	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	6.51	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	0.53	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	9.54	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	38.30	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	9.85	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	8.75	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	6.06	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	2.44	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	4.44	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	0.24	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	4.81	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	4.67	ACUITE BBB/Stable (Assigned)
	Proposed Non - convertible Debentures	Long Term	10.00	ACUITE BBB/Stable (Assigned)

	Proposed facility	Long Term	5.35	ACUITE BBB/Stable (Reaffirmed)
24-May-2018	Proposed facility	Long Term	20.00	ACUITE BBB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.04	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.42	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.27	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.92	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.86	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.86	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.94	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.16	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.05	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.88	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.17	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	13.32	ACUITE BBB+/ Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	9.16	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.29	ACUITE BBB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.21	ACUITE BBB+/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.24	ACUITE BBB+/ Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE BBB+/ Stable (Withdrawn)

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