

## Press Release

### Jumbo Finvest India Limited

April 27, 2019

### Rating Assigned



|                                     |                       |
|-------------------------------------|-----------------------|
| <b>Total Bank Facilities Rated*</b> | <b>Rs. 110.00 Cr.</b> |
| Long Term Rating                    | ACUITE A-/Stable      |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 110.00 Cr. bank facilities of Jumbo Finvest India Limited (JFIL). The outlook is '**Stable**'.

#### About JFIL:

Jaipur based JFIL, was originally incorporated as Ajay Tractors Private Limited (ATPL) in 1998 to carryout tractor dealership business. In 2003, the tractor dealership business was discontinued and ATPL was renamed to Jumbo Finvest India Limited. This was followed by JFIL being registered as a Non Deposit taking –Non Banking Finance Company with RBI. JFIL is a closely held company, promoted by Mr. Ajay Kumar Singh, a first generation entrepreneur.

JFIL is engaged in mortgage backed financing and Asset backed financing. The products offered by the company includes Loan against Property, Housing Loans, Commercial vehicle loans, Two wheeler loans, Gold loan along with micro loans and personal loans.

The company primarily operates in two states namely, Rajasthan and Maharashtra and is gradually expanding its reach in Madhya Pradesh, Delhi and Uttar Pradesh. The company operated through a network of 220 branches as on December 31, 2018.

#### Analytical Approach

Acuité has adopted a standalone approach on JFIL's business and financial risk profile for arriving at the rating.

#### Key Rating Drivers

##### Strengths

##### • Established track record of operations:

JFIL incorporated in 1998, commenced its lending operations in 2003, prior to which it was engaged in the business of tractor dealership in the name of Ajay Tractors Private Limited. JFIL is promoted by Mr. Ajay Kumar, a first generation entrepreneur who has been in the financial services industry for over two decade (earlier by way of traditional lending) and has overall expertise of over three decades in various businesses including real estate and tractor dealership.

JFIL has a 7 member board led by Mr. Ajay Kumar (Managing Director), with members having expertise in banking and financial services industry. JFIL is a closely held by Mr. Ajay Kumar and family directly and through investment companies entirely held by Mr. Ajay Kumar and family.

The company has received equity infusion of Rs. 61.8 Cr. in the three year period April 2016 to March 2018. Further, Rs. 22.5 Cr. has been infused in FY2019. These infusions have supported the growth metrics while maintaining healthy capitalisation levels. JFIL had Tier one Capital Adequacy of 15.88 percent and overall Capital Adequacy of 21 percent as on December 31, 2018. Tier two capital is subscribed by Maanaveeya Development & Finance Pvt. Ltd, MAS Financial Services Limited, IDBI First Bank and Jumbo Credit Co-Operative Society.

The promoters have established track record of operating in Rajasthan for over two decades and has gradually expanded its geographical reach to other states beyond Rajasthan and Maharashtra to Madhya Pradesh, Delhi and Uttar Pradesh and operates through a network of 220 branches as on December 31, 2018.

The company's overall AUM has observed a significant growth in FY2018; Rs. 704 Cr. as on March 31, 2018 which has grown from Rs. 163 Cr. as on March 31, 2016. The company reported an AUM of Rs. 807 Cr. as on December 31, 2018. The growth is largely derived from Loan against Property (LAP) segment which amounted to Rs. 685 Cr. (i.e. 84 percent of overall AUM) as on September 2018 as against Rs. 114 Cr. (i.e. 70 percent of overall AUM) as on March 31, 2016.

Acuite believes that JFIL's business profile will continue to benefit from the established presence in the segment backed by strong managerial support.

• **Healthy asset quality and earning profile:**

JFIL largely caters to borrower base engaged in small businesses, mine owners among others. The company has established its presence since 2003 and has largely focused on extending Loan against Property which comprised 85 percent of the AUM as on September 30, 2018. While the overall AUM has grown significantly, the company has adopted prudent lending practices as reflected in maintained LTV ratio. The company has maintained LTV ratio of up to 50 percent in ~ 70 percent of the overall LAP portfolio. JFIL's asset quality remained healthy with Gross NPA of 0.96 percent as March 31, 2018 as against 0.45 percent as on March 31, 2017. The company reported GNPA of 1.07 percent as on December 31, 2018. The healthy asset quality is reflective of prudent processes, credit appraisal systems, monitoring ability and collection systems in place. The company has demonstrated collection efficiency of 97 percent in the eight months ended September 30, 2018. The company reported Net NPA of 0.83 percent as on December 31, 2018 as against 0.80 percent as on March 31, 2018.

The low delinquency levels have enabled the company to maintain healthy profitability metrics. The company's earning profile is supported by strong profitability on an increasing scale of operations. The company has reported Net Interest Margins of 11.24 percent (annualized) in 9 months ended December 2018 as against 11.46 percent in FY2018.

The company's Return on Average Assets (ROAA) remains healthy albeit moderation to 1.51 percent in 9M ended December 2018 from 2.41 percent in FY2018 and 2.40 percent in FY2017. The moderation of ROAA in current year is mainly due to increased focused on branch expansion resulting in increased operating costs. The Operating expenses to earning assets ratio has deteriorated to 10.90 percent in 9M ended December 2018 from 6.37 percent in FY2018. JFIL's branch network has increased to 220 branches as on December 31, 2018 from 64 branches as on March 31, 2017. The expansion in branch network augurs well to the business and earning profile of the company.

Acuite believes that JFIL will sustain its asset quality and profitability metrics on the back of prudent lending practices and the promoter's ability to raise and deploy funds in a timely manner to support the operations.

**Weaknesses**

• **Low seasoned Portfolio:**

JFIL forayed in the LAP segment since 2014 with average tenure of loans ranging from 5 to 7 years. The company's overall AUM has grown significantly to Rs. 734 Cr. as on December 31, 2018 from Rs. 357 Cr. as on March 31, 2017. Due to significant growth in the loan book over the last two years, ~84 percent of the overall portfolio as on December 31, 2018, had a seasoning of less than one year. The company has maintained its overall asset quality in the last two years. Since a large portion of the overall AUM is relatively less seasoned, the performance of these loan assets is yet to be demonstrated.

Acuite believes that JFIL's credit profile will remain susceptible to the performance of low seasoned loan portfolio for over medium term.

- **Skewed product and geographical mix:**

The company has presence across three business segments namely asset backed financing, mortgage backed financing and lending to Micro Enterprises and individuals. JFIL forayed in financing of Loan against Property and SME loans in 2014 and since then has been focused towards financing of LAP and Personal loans. This has resulted in a skewedness in product mix towards LAP loans.

LAP segment comprised ~84 percent and personal loans comprised 14 percent of the overall Asset under Management (AUM) as on September 30, 2018. Other products namely Gold loans, commercial vehicle loans, Two wheeler financing, micro loans, warehouse and housing loans together comprise 2 percent of the overall AUM. These segments are expected to drive the growth in overall AUM over the next few years.

The company's overall credit profile is susceptible to concentration towards LAP loans which in turn are prone to inherent risks. LAP loans are extended for both income generation activities as well as for general spending. Loans extended for general purpose are not directly linked to a steady inflow which exposes the serviceability of these loans to high level of counterparty risk.

JFIL's presence is concentrated primarily in two states namely, Rajasthan and Maharashtra; contributing 78 percent and 18 percent respectively of the overall AUM as on September 30, 2018, the balance being in Madhya Pradesh, Delhi and Uttar Pradesh.

The key risk emanating from a skewed geographical and product mix is that the cash flows of the borrowers are dependent on the level of economic activity in the region. Occurrence of events such as slowdown in economic activity or shifting of industrial activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of JFIL's borrowers. Moderation in economic activity also impacts demand for housing in the region, which is likely to impact the realizable value of the housing assets which are backing the loan.

Acuite believes that JFIL's credit profile will continue to be vulnerable to skewed product mix and geographical concentration risk till it diversifies its product mix and achieves a major share in other regions besides Rajasthan.

### **Liquidity Position**

JFIL had negative mismatch in the 6 to 1 year bucket as on December 31, 2018. The company has initiated longer tenured exposure in the current fiscal, hence asset liability management will be critical. JFIL had working capital limits of Rs. 99.5 Cr. as on February 2019, which was on an average 90 percent utilized over six months ended February 28, 2019. The company has also raised equity capital of Rs. 15 Cr. in March 2019 which will support JFIL's liquidity profile in the near to medium term.

### **Outlook: Stable**

Acuite believes that JFIL will maintain a 'Stable' outlook over the near to medium owing to its established track record supporting its operational performance along with healthy asset quality and earning profile. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while maintaining profitability, asset quality and capitalisation indicators. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in asset quality or profitability margins.

### About the Rated Entity - Key Financials

| Parameters                              | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---------|---------------|---------------|---------------|
| Total Assets                            | Rs. Cr. | 827.20        | 423.42        | 186.65        |
| Total Income*                           | Rs. Cr. | 67.14         | 36.79         | 22.14         |
| PAT                                     | Rs. Cr. | 15.09         | 7.32          | 4.87          |
| Net Worth                               | Rs. Cr. | 111.48        | 57.39         | 39.96         |
| Return on Average Assets (RoAA)         | (%)     | 2.41          | 2.40          | 3.37          |
| Return on Average Net Worth (RoNW)      | (%)     | 17.87         | 15.04         | 15.63         |
| Total Debt/Tangible Net Worth (Gearing) | Times   | 6.32          | 6.30          | 3.62          |
| Gross NPA                               | (%)     | 0.96          | 0.45          | 0.42          |
| Net NPA                                 | (%)     | 0.83          | 0.39          | 0.37          |

\* 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-17.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)

Not applicable

### \*Annexure – Details of instruments rated

| ISIN | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook             |
|------|------------------------|------------------|-------------|---------------|-----------------------------|-----------------------------|
| NA   | Proposed Bank Facility | NA               | NA          | NA            | 110.00                      | ACUITE A-/Stable (Assigned) |

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## About Acuité Ratings & Research:

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