

Press Release

Capital India Home Loans Limited

March 07, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 200.00 Cr. bank facilities of Capital India Home Loans Limited (CIHL). The outlook is '**Stable**'.

The rating further factors in Capital India Group's seasoned management, significant support from investors and strong resource raising ability. The rating takes into account strong capitalization level of the Capital India Group with networth of Rs. 559.23 Cr. and leverage of 1.03 times as on December 31, 2021 (provisional) (Rs. 562.87 Cr. and leverage of 0.48 times as on March 31, 2021) (consolidated; excl. non-controlling interest). The rating also factors in asset quality marked by consolidated (CIFL & CIHL) GNPA of 0.46 percent as on December 31, 2021 (provisional) (0.05 percent as on March 31, 2021) with some delinquencies in softer buckets related to real estate exposure. CIFL has been reducing its exposure to commercial real estate which was bought down to 21.18 percent as on December 31, 2021 from 38.43 percent as on March 31, 2021 for SME portfolio (CIFL standalone). Acuite has also noted a shift towards more granular SME lending which is expected to provide some cushion against asset quality shocks going forward and diversification of its revenue streams by venturing into fee-based businesses i.e forex and fintech businesses.

Some of these rating strengths however, are constrained with moderation in profitability of the Capital India Group as seen in loss of Rs. 5.11 Cr. as on December 31, 2021 against a total comprehensive income of Rs. 9.87 Cr. as on March 31, 2021 (consolidated). The losses were mainly on account of the Group's fintech business (Rapipay). The rating also takes into consideration the decline in on-time portfolio (consolidated) and rise in lower bucket delinquencies. On the consolidated level, the earnings profile of the Group is susceptible to scaling up and stability in its fee based businesses.

About the Company

About Capital India Home Loans Limited

Capital India Home Loans Limited (CIHL), incorporated in 2017, extends credit towards affordable home loan segment. CIHL is a Housing Finance Company (HFC) registered with National Housing Bank (NHB). CIHL is a subsidiary of CIFL with 99.96 percent shareholding. The day-to-day operations of CIHL are managed by seasoned professionals and the Board

comprises of 5 Directors, out of which 3 are independent Directors. The company is led by Mr. Vineet Kumar Saxena (MD – CIHL & CEO – CIFL) and Mr. Keshav Porwal (MD - CIFL) each having an experience of nearly two decades in financial services. Dr. Harsh Kumar Bhanwala is an Executive Chairman of the Capital India Group. CIHL's loan portfolio (standalone) grew to Rs. 137.02 Cr. as on March 31, 2021 from Rs. 70.49 Cr. as on March 31, 2020. Secured portfolio comprised around 94 percent of the portfolio of CIHL on March 31, 2021. Average ticket size of CIHL portfolio was around Rs. 0.03 Cr. as at March 31, 2021. CIHL is operating from 9 branches across India, viz. Delhi, Mumbai, Kalyan, Jaipur, Virar, Panvel, Noida, Nashik and Karnal.

About Capital India Finance Limited

CIFL is a systemically important non deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India. The company is engaged in extending wholesale credit towards real estate, Loan against Property and corporate/structured finance loans. Currently the company has expanded its borrower base and has been focusing on SME business class and reducing their exposure to commercial real estate.

The company commenced its lending operations in November 2017. Presently, CIFL is led by Dr. Harsh Kumar Bhanwala (Executive Chairman), Mr. Keshav Porwal (Managing Director) and Mr. Vineet Kumar Saxena ((MD – CIHL & CEO – CIFL), each having an experience of nearly two decades in financial services. The company's equity is listed on the Bombay Stock Exchange (BSE) and has a market capitalisation of Rs. 916 Cr as on June 21, 2021. Around 73 percent of CIFL's equity is held by Capital India Corp LLP (erstwhile Trident Holdings LLP) which is promoted by Mr. Sumit Narvar. Mr. Narvar is a businessman who is engaged in development of commercial and residential real estate projects in India. Besides the promoter holding, CIFL has been able to attract funding from reputed investors such as Dharampal Satyapal Limited, RJ Corp Limited, Sudhir Power Limited among others.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has adopted a consolidated approach and considered the business and financial risk profile of Capital India Finance Limited (CIFL) and its subsidiaries as on March 31, 2021, Capital India Home Loans Limited (CIHL), Capital India Assets Management Private Limited (CIAM), CIFL Holdings Private Limited (CHPL), CIFL Investment Adviser Private Limited (CIML), Capital India Wealth Manager Private Limited (CIML) and RapiPay Fintech Private Limited (RFPL) for arriving at the rating.

CIHL is a subsidiary of CIFL with 99.96 percent shareholding as on March 31, 2021 and extends credit towards the affordable home loan segment. CIAM, CHPL, CIML and CIML are 100 percent subsidiary of CIFL, there were no major operations in these companies at present. CIFL holds 56 percent stake in RFPL. RFPL holds a pre-paid instrument (PPI) license. It is engaged in providing money transfer services via a franchised Retail Network of distributors and retailers across India.

Key Rating Drivers

Strength

Experienced management team backed by resourceful investors

Capital India Group has strong backing from its investors and experienced management team. The Group, promoted by Noida based Narvar Family and is led by senior professionals such as Dr. Harsh Kumar Bhanwala (Executive Chairman), Mr. Keshav Porwal (MD - CIFL) and Mr. Vineet Kumar Saxena (MD – CIHL & CEO – CIFL). Dr. Harsh Kumar Bhanwala is ex-

Chairman NABARD, and has over three decades of experience in banking and financial services including financial inclusion, Microfinance, Co-op. Credit Institutions, Rural Infrastructure Project Development and other areas. Mr. Keshav Porwal has more than two decades of experience in Financial Services sector and brings considerable experience in successfully closing large and complex transactions involving PE investments and restructuring of medium size companies. Mr. Vineet Kumar Saxena is a seasoned Banking & Financial services professional with around two decades of experience in Commercial & Retail Lending. CIFL's Board comprises of 6 members of which four are independent Directors. Dr. Harsh Kumar Bhanwala (ex-Chairman NABARD) is the Executive Chairman at CIFL. The day to day operations are managed by seasoned professionals with expertise in corporate finance, mortgage lending SME/MSME lending and real estate lending each having over a decade of relevant experience. CIFL is backed by domestic long-term investors such as Capital India Corp LLP (holding 73 percent), Dharampal Satyapal Limited (holding 7.97 percent), RJ Corp Limited (holding 4.9 percent) among others.

The ability to attract funding from diverse investors has supported the company's capitalisation levels. The company has a networth (consolidated; excl. non-controlling interest) of Rs. 559.23 Cr. as on December 31, 2021 (Rs. 562.87 Cr as on March 31, 2021). The company's capital adequacy ratio remains comfortable with capital adequacy of 48.19 percent for CIFL (standalone) and 87.79 percent for CIHL (standalone) as on December 31, 2021 (63.68 percent for CIFL (standalone) and 107.15 percent for CIHL (standalone) as on March 31, 2021). CIFL has low gearing levels at 1.03 times as on December 31, 2021 (0.48 times as on March 31, 2021) (consolidated).

Acuité believes that CIFL's consolidated business profile will be supported by expertise of seasoned professional managing the day to day operations and the support from the resourceful investors.

Diversified Business Profile

Capital India Finance Limited has diversified business profile, its NBFC segment extends wholesale credit towards real estate, Loan against Property and corporate/structured finance loans. The company is gradually shifting towards more granular SME portfolio. Capital India Home Loans Limited (CIHL), incorporated in 2017, extends credit towards affordable home loan segment. CIHL's loan portfolio (standalone) grew to Rs. 137.02 Cr. as on March 31, 2021 from Rs. 70.49 Cr. as on March 31, 2020. CIHL's loan portfolio stood at Rs. 185.22 Cr. as on December 31, 2021. The strategy of CIHL is to build a relatively smaller ticket sized, well-diversified and granular loan book across all product offerings and geographies. Further, while the HFC is building sales distributions organically through teams spread across different branches and locations, it has also built alliances with multiple established partners to complement customer acquisitions through onward lending arrangements that are risk-backed in the form of first loss default guarantees (FLDGs) and service guarantees. CIFL's loan portfolio (consolidated) grew to Rs. 700.16 Cr. as on March 31, 2021 from Rs. 573.68 Cr. as on March 31, 2020 and stood at Rs. 918.50 Cr. as on December 31, 2021.

Apart, from its lending-based activities of Capital India group has also developed its fee-based business namely RemitX and RapiPay. Capital India under the brand name of RemitX holds AD II license from RBI (since Sep 2020) to conduct foreign exchange business. RemitX is an integrated foreign exchange service provider and focuses on provide end to end forex and travel solutions leveraging technology. RapiPay Fintech Private Limited (RFPL) provides neo banking services like Domestic Remittances, Aadhaar enabled Payment System and Micro ATM via its pan India retail agent network of Direct Business Outlets. RFPL holds a PPI (Pre-paid Instrument) license from RBI and provides money transfer services. RapiPay operates on an B2B model via a franchised retail network of distributors and retailers across India. Capital India Finance Limited has been diversifying its revenue stream by focusing on developing its fee-based services like Forex business under the brand name of RemitX (AD II license) and Fintech business under the brand name of RapiPay.

Weakness

Susceptibility of the credit profile to large ticket exposures from real estate segment; Current operating environment likely to impinge on asset quality and profitability

CIFL (NBFC and HFC) commenced its lending operations in 2017. The NBFC is engaged in extending wholesale credit towards real estate, Loan against Property and corporate/structured finance loans. Currently it has expanded its borrower base and has been focusing on SME business class and reducing their exposure to commercial real estate. HFC focused on affordable housing segment. At the initial stage of its growth the company (NBFC) had focused primarily on the real estate sectors with large ticket sizes ranging between Rs. 10 – 40 Cr. The company's top 20 exposures (mostly real estate exposures) comprised 72 percent of the book (consolidated) as on March 31, 2020. Following the challenges in overall economic conditions in FY2020, the group shifted its focus towards building a relatively granular book. Consequently, CIFL has introduced various small ticket loans with new disbursements having ticket sizes ranging between Rs. 15 lakhs to Rs. 5 Cr. The company has also bought down its exposure towards its top 20 borrowers to 43.8 percent of the portfolio (consolidated) as on March 31, 2021. As a result, CIFL's portfolio having ticket size in the range of Rs. 30-40 Cr. has reduced to 5.45 percent as on March 31, 2021 as compared to 28.14 percent as on March 31, 2020. This exposure further reduced to 27.72 percent as on December 31, 2021 on CIFL's consolidated portfolio. Although, the company has reduced its exposure to real estate segment and deployed the funds so released towards other relatively granular non-real estate avenues, it is pertinent to note that real estate sector has been facing significant challenges on account of the overall tepid environment and slowdown in offtake of projects. Despite the challenges relating to covid/ moratorium, the company could rationalize its Real Estate book from FY2020 to FY2021 which provides some comfort. CIFL's loan portfolio (consolidated) increased to Rs. 700.16 Cr. as on March 31, 2021 from Rs. 573.68 Cr. as on March 31, 2020 and stood at Rs. 918.50 Cr. as on December 31, 2021. The SME and Housing portfolio of CIFL has relatively low seasoning, with HFC portfolio having around 51 percent of the outstanding portfolio (standalone) comprising of tenure more than 15 years as on March 31, 2021. HFC portfolio comprises ~59 percent of outstanding portfolio of CIHL (standalone) as on March 31, 2021. While, CIFL's overall consolidated asset quality remained healthy with GNPA of 0.46 percent as on December 31, 2021 (0.05 percent as on March 31, 2021), its on-time portfolio declined to 78.28 percent as on December 31, 2021 as compared to 91.71 percent as on March 31, 2021. The increase in delinquencies in softer buckets (upto 90 dpd) was observed, majorly comprising CIFL's exposure to commercial real estate portfolio as on December 31, 2021. The company had contained slippages for 90+ dpd and was thus able to manage its GNPA levels. The increase in delinquencies in softer buckets is attributable to on-going economic environment. The ability of CIFL to maintain the growth in its Assets Under Management (AUM) by expanding in non-real estate segments, while maintaining its profitability margins and containing its asset quality pressures will be key monitorable.

ESG Factors Relevant for Rating

Capital India Home Loans Limited (CIHL) belongs to the housing finance sector which complements banks' efforts in improving mortgage penetration in India. Some of the material governance issues for the financial services sector are policies and practices with regard 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 contribution to financial inclusion and community development, responsible financing including funding of environmentally friendly housing projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The Capital India's board comprises of a total of six directors out of which four are independent directors and includes one female director. The executive chairman of the board is Dr Harsh Bhanwala who has been the ex-Chairman of NABARD with significant experience in financially inclusive businesses. 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, CIHL is actively engaged in community development programmes through its CSR activities.

Rating Sensitivity

- Contribution from fee-based businesses
- Growth in AUM
- Improvement in profitability metrics
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Changes in regulatory environment

Material Covenants

CIHL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position: Adequate

Business growth of CIHL has majorly been supported by equity funds, the company's dependence on debt is very low as reflected in low gearing of 1.03 times as on December 31, 2021 (0.48 times as on March 31, 2021) (consolidated). The company has no significant term debt obligations over the near term. CIHL was able to obtain fundings from banks in the form of Term loans and Working capital facilities of around 274 Cr. during 9M FY2022. The company currently has cash and cash equivalents of ~Rs. 142 Cr. as on March 31, 2021 (consolidated). The liquidity position of the company is expected to support the business growth of the company over the near term.

Outlook: Stable

Acuité believes that CIHL's consolidated credit profile will be supported by its experienced management, support from resourceful promoters'/investor base 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 increased concentration in portfolio towards real estate sector.

Key Financials - Standalone / Originator

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	195.98	94.91
Total Income*	Rs. Cr.	12.37	6.74
PAT	Rs. Cr.	(3.68)	(7.39)
Net Worth	Rs. Cr.	114.67	78.34
Return on Average Assets (RoAA)	(%)	(2.53)	(10.93)
Return on Average Net Worth (RoNW)	(%)	(3.82)	(12.99)
Debt/Equity	Times	0.61	0.07
Gross NPA	(%)	0.25	-

Net NPA	(%)	0.12	-
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*Total income equals to Net interest income plus other income

Key Financials (Consolidated)

	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	1037.71	710.26
Total Income*	Rs. Cr.	286.76	102.30
PAT	Rs. Cr.	6.08	13.86
Net Worth	Rs. Cr.	596.56	521.15
Return on Average Assets (RoAA)	(%)	0.70	2.01
Return on Average Net Worth (RoNW)	(%)	1.09	2.69
Debt/Equity	Times	0.48	0.23
Gross NPA	(%)	0.05	-
Net NPA	(%)	0.02	-

*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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Dec 2021	Term Loan	Long Term	16.62	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.71	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.96	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	135.83	ACUITE A- Stable (Reaffirmed)

02 Jul 2021	Term Loan	Long Term	7.71	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.62	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	9.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	5.96	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	135.83	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	4.67	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.71	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	9.71	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	135.83	ACUITE A- Stable Reaffirmed
National Housing Bank	Not Applicable	Term Loan	30-09-2020	Not available	01-07-2027	16.62	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	28-05-2020	Not available	03-06-2024	7.71	ACUITE A- Stable Reaffirmed
Jana Small Finance Bank Ltd.	Not Applicable	Term Loan	30-03-2021	Not available	03-10-2023	9.71	ACUITE A- Stable Reaffirmed
Utkarsh Small Finance Bank Ltd.	Not Applicable	Term Loan	25-03-2021	Not available	25-09-2023	4.67	ACUITE A- Stable Reaffirmed
Northern Arc Capital (formerly IFMR Capital)	Not Applicable	Term Loan	25-02-2021	Not available	25-02-2025	9.50	ACUITE A- Stable Reaffirmed
Sundaram Home Finance Ltd.	Not Applicable	Term Loan	30-03-2021	Not available	01-04-2025	10.00	ACUITE A- Stable Reaffirmed
Hinduja Housing Finance Limited	Not Applicable	Term Loan	30-09-2020	Not available	31-03-2025	5.96	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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