

Press Release
DIGAMBER CAPFIN LIMITED
February 27, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.16	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	43.16	-	-

Erratum: In the original PR dated 20th February 2024, in the strength section disbursement amount was stated quarterly instead of half yearly for the period ending September 2023 which has been rectified in this version of PR.

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) of Rs. 43.16 crore bank facilities of Digamber Capfin Limited (DCL). The outlook is '**Stable**'.

Rationale for the rating

The rating takes into consideration of robust earnings profile and healthy resources raising ability. DCL reported a PAT of Rs. 39.41 Cr during FY2023 as against Rs. 42.08 Cr. during FY2022 supported by healthy operational performance. For H1FY24, the PAT stood at Rs. 14.52 Cr. The credit profile of the company derives strength from its demonstrated ability to raise debt from diverse lenders.

These strengths are partially offset by deterioration in asset quality and risks inherent to the nature of the business. The company reported a spike in Gross Non-Performing Assets (GNPA) of 3.38 percent as on September 30, 2023 as compared to 2.95 percent as on March 31, 2023. (3.66 percent as on March 31, 2022). Going forward, continued promoter support, profitability and business growth are key monitorables.

About the company

DCL, incorporated in 1995, is a Rajasthan based Non-Banking Financial Company-Microfinance Institution (NBFC - MFI). DCL is promoted by Mr. Rajiv Jain & Mr. Amit Jain. It offers credit and other financial products to the rural and semi-urban areas. It lends under joint liability group (JLG) model and also provides loans to individual people.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of DCL to arrive at the rating.

Key Rating Drivers

Strength

Experienced Management & Growth in AUM

Digamber Capfin Ltd (DCL) started operations in 1995 as an NBFC with the objective of providing a range of financial services to the unbanked population. The company is promoted by Mr. Rajiv Jain (Managing Director) who has more than 25 years of experience in

the field of finance, on the board of directors he is supported by Mr. Amit Jain (Whole time Director & CFO) and other board members who have extensive experience in the field of

banking & finance. The company's Asset under Management (AUM) as on September 30, 2023 is Rs. 1045.59 Cr as against Rs. 1123.02 Cr as on March 31, 2023. The JLG segment constitutes ~99 of the loan portfolio and the rest is towards Individual Micro Loans (IML). The loans have an average tenure of 25 to 30 months.

Acuité believes that DCL's business profile will continue to benefit from the established presence in microfinance lending backed by strong promoter support.

Moderate earning profile

In FY2023, DCL's loan portfolio has grown owing to healthy disbursement levels. The company's disbursements increased to Rs. 778.47 Cr as on March 31, 2023 from Rs. 745.69 Cr as on March 31, 2022. The company made disbursement of Rs 336.75 Cr as on September 2023. The company's overall financial profile continues to be robust as marked by increase in its Net interest income to Rs. 169.47 Cr for FY2023 from Rs. 146.58 Cr for FY2022. DCL reported a PAT of Rs 39.41 Cr during FY2023 as compared to Rs 42.08 Cr in FY2022. The slight decline in PAT is on the basis of increased Opex and finance cost where the opex to earning asset stood at 8.32% as on March 31, 2023. For H1FY24, the PAT stood at Rs. 14.52 Cr.

Acuité believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

Robust capitalisation levels coupled with a diversified funding mix

DCL's capitalisation remain healthy marked by networth of Rs. 236.71 Cr. as on March 31, 2023 as compared to Rs. 196.72 Cr. as on March 31, 2022. As of September the networth stands at Rs. 251.41 Cr. The company reported a capital adequacy ratio (CAR) of 25.80 percent comprising Tier 1 capital at 22.81 percent and Tier II capital at 2.99 percent as on March 31, 2023. The company has a strong lender profile comprising Banks and Financial Institutions, with total debt increasing to Rs 902.90 Cr as on September 30, 2023 (Rs. 807.74 Cr. as on March 31, 2023). DCL's borrowing profile comprised Term loans, NCD's and ODs from PSU banks like State Bank of India, UCO Bank, Indian Bank, Union Bank of India and other NBFCs & Fis on March 31, 2023. DCL has demonstrated access to funding from both PSU banks and large NBFC/Fis. The company has raised debt of Rs. 534.80 as on September 2023.

Weakness

Modest Asset Quality; Albeit Improving

DCL reported modest asset quality as reflected in on-time portfolio at 94.40 percent as on September 30, 2023 (95.06 percent as on March 31, 2023). Given the risks inherent to microfinance segment, a surge in the delinquencies has been observed, the company reported GNPA at 3.38 percent as on September 30, 2023, as against 2.95 percent as on March 31, 2023 (3.66 percent as on March 31, 2022).

Acuité believes, going forward, the ability of the company to maintain asset quality in the light of continuously evolving economic scenario will be a key monitorable.

Susceptibility to risks inherent to microfinance segment

DCL primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. Since financial assistance to economic challenged borrowers is a sensitive issue, from government stand point the regulatory dispensation in respect of the policies becomes relevant. Any changes in the regulatory environment impeding the ability of entities like DCL to enforce collections, etc will have an impact on its operational performance. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations.

Acuité believes that containing additional slippages while maintaining the growth in the loan portfolio will be crucial.

ESG Factors Relevant for Rating

Digamber Capfin Limited (DCL) 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.

DCL was primarily engaged in extending offers credit and other financial products to the rural and semi-urban areas. It lends under joint liability group (JLG) model and also provides loans to individual people which supports financial inclusion by financing of smaller businesses. The company is promoted by Mr. Rajiv Jain (Managing Director), he is supported by Mr. Amit Jain (Whole time Director cum CFO) and 2 Independent Directors, 1 Nominee Director & 2 Non-Executive Directors. The company maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. The company 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, DCL is actively engaged in community development programmes through its CSR activities.

Rating Sensitivity

- Movement in Asset Quality & Collection Efficiency
- Changes in regulatory environment
- Movement in liquidity buffers

Liquidity Position

Adequate

The company has cash and bank balances of Rs. 36.03 Cr. as on September 30, 2023. The overall collection efficiency at average stood at ~97.14 percent ended Sept 2023. The company raised fresh debt of Rs. 534.80 Cr in Sep 2023.

Outlook:Stable

Acuité believes that DCL will maintain a 'Stable' outlook in the medium term on account of the steady growth in loan book, adequate asset quality and comfortable profitability. The outlook may be revised to 'Positive' in case of significant increase in scale of operations and improvement in capitalisation while maintaining asset quality and overall profitability. The outlook may be revised to 'Negative' in case of deterioration in asset quality along with pressure on profitability, or significant weakening of capitalisation.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	1084.33	969.26
Total Income*	Rs. Cr.	169.81	147.30
PAT	Rs. Cr.	39.41	42.08
Net Worth	Rs. Cr.	236.71	196.72
Return on Average Assets (RoAA)	(%)	3.84	4.80
Return on Average Net Worth (RoNW)	(%)	18.19	23.95
Debt/Equity	Times	3.41	3.78
Gross NPA (Owned portfolio)	(%)	2.95	3.66
Net NPA (Owned portfolio)	(%)	0.99	0.89

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

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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. Acuité'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
22 Nov 2022	Term Loan	Long Term	11.72	ACUITE BBB Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	13.81	ACUITE BBB Stable (Upgraded from ACUITE BB)
	Proposed Term Loan	Long Term	0.36	ACUITE BBB Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	17.27	ACUITE BBB Stable (Upgraded from ACUITE BB)
24 Aug 2021	Term Loan	Long Term	5.14	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	20.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	18.02	ACUITE BB (Downgraded and Issuer not co-operating*)

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 Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.89	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	27 Sep 2021	Not avl. / Not appl.	27 Sep 2024	Simple	3.82	ACUITE BBB Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	07 Sep 2021	Not avl. / Not appl.	30 Sep 2024	Simple	5.21	ACUITE BBB Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Term Loan	30 Oct 2021	Not avl. / Not appl.	31 Oct 2024	Simple	4.24	ACUITE BBB Stable Reaffirmed

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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.

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