No. CARE/HO/RL/2021-22/2984
Mr. Satyam Kumar
Chief Executive Officer
Loantap Credit Products Private Limited
Office No. 103, Hermes Waves, Central Avenue Road,
Kalyaninagar, Pune
Maharashtra 411006

November 24, 2021

Confidential

Dear Sir,

Credit rating for Commercial Paper (CP) issue aggregating Rs.30.00 crore[1]

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and H1FY22 (Unaudited), our Rating Committee has reviewed the following ratings:

Instrument	Amount (Rs. crore)	Rating[2]	Rating Action
Commercial Paper	30.00 (Reduced from 50.00)	CARE A3 (A Three)	Reaffirmed
Total Instruments	30.00 (Rs. Thirty Crore Only)		

**o/s as on November 24, 2021: Rs. 29.35 crore*

2. The CP issue would be for a maturity not exceeding one year.
3. Please arrange to get the rating revalidated in case the issue is not made within **two months** from the date of this letter i.e. by January 24, 2021. Once the CP is placed, the rating is valid for the tenure of such instrument till redemption.
4. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr.)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Trustee/IPA	Details of top 10 investors

[1] *This represents the aggregate of all CP issuances of the company outstanding at any point in time.*
[2] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly/by end of the day, a draft of which is enclosed for your perusal as **Annexure-1**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 24, 2021, we will proceed on the basis that you have no any comments to offer.
6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instruments, CARE shall carry out the review on the basis of best available information throughout the life time of such instruments. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Vaishnavi Satyadev Shetty
Analyst
vaishnavi.s@careratings.com

Janet Felsia Thomas
Assistant Director
janet.thomas@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure-1
Press Release
Loantap Credit Products Private Limited
November 24, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[3]	Rating Action
Long Term Bank Facilities	190.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**190.00 (Rs. One Hundred Ninety Crore Only)**		
Non-Convertible Debentures	25.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	**25.00 (Rs. Twenty-Five Crore Only)**		
Commercial Paper	30.00 (Reduced from 50.00)	CARE A3 (A Three)	Reaffirmed
Total Short-Term Instruments	**30.00 (Rs. Thirty Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities/ instruments of Loantap Credit Products Limited (LCPPL) derive strength from its adequate capital base led by capital funding from a mix of investors including institutional investors over FY17-FY20. The ratings remain underpinned by the technology-led risk assessment business model with digitization of most of the credit underwriting processes. This provided the ability to quickly scale-up its loan portfolio; although the strength of credit assessment with minimal manual intervention will be visible only over a period of time. An adequately experienced management team with significant experience in lending and underwriting is a positive factor for its rating. The ratings however remain constrained on account of its moderate asset quality metrics which have further deteriorated during the pandemic and continue to pressurize its earnings profile. LCPPL's still-evolving business model, an unseasoned loan book led by the relatively longer tenure of its loan portfolio, and concentration in the resource profile remain key rating constraints. Going forward, LCPPL's ability to maintain the required capital buffer & adequate liquidity along with diversification of its funding profile at competitive rates while improving the asset quality and profitability on a sustained basis will remain critical parameters for the ratings.

[3]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained improvement in profitability with ROTA of at least 2%
- *Improvement in asset quality metrics/ratios including GNPA (90+ DPD) as well as write-offs and collection efficiencies*
- *Exhibition of stable growth with continuous scale-up in the loan portfolio*
- *Diversification of resource profile along with tapping of funds at competitive rates from lenders.*

Negative Factors - Factors that could lead to negative rating action/downgrade:

- *Expected/Visible signs of stress in its asset quality with significant/consistent deterioration in metrics including GNPA (>6%) as per 90 dpd, write-offs and collection efficiencies*
- *Decline in capital levels or deterioration in leverage with overall gearing of more than 4 times*
- *Ability to maintain short term borrowings at lower levels.*

Detailed description of the key rating drivers

Key Rating Strengths

Sufficient Capital Base Supported by Funding From Investors Over the Years: Loantap Financial Technologies Private Limited (LFTPL), the parent company holds 99.74% stake in LCPPL (as on Mar 31, 2021). LFTPL has demonstrated its ability to attract investments by participating in five rounds of funding till January 31, 2020 and raising total funds to the tune of Rs.170.1 crore in its Series A and Series B fund raising from a mix of reputed equity investors, institutional investors and individual investors which include 3one4 Capital - an early stage venture capital firm based in Bangalore, India Quotient II - an early stage venture capital firm; Kae Capital & Kalysta Capital, Avaana Capital, Tuscan Ventures Private Limited. The same has been down-streamed into LCPPL in the form of equity and preference capital. Capital infusion remains steady as observed during regular intervals over FY17-FY20 (FY17: Rs. 1.64 crore, FY18: Rs. 7 crore, FY19: Rs. 40.59 crore, FY20: Rs. 72 crore).

As on March 31,2021, the tangible net worth stood at Rs. 109.70 crore (Sep 30, 2021: Rs. 110.96 crore) and the debt equity ratio stood at 1.67x as on Mar 31, 2021 (Sep 30, 2021: 1.65x. Capital Adequacy Ratio remained comfortable at 43.21% at Mar 31, 2021 (Sep 30, 2021: 45.16%).

Adequate capital cushions provide the required headroom to absorb high credit costs synonymous with most fintech companies. Higher capital buffers also improve the ability of the company to absorb its elevated operating costs during its evolving stages or any other unexpected losses which may arise led by unforeseen events as seen during the pandemic. Going forward, LCPPL's ability to maintain the required capital cushion for adverse scenarios would remain a key parameter for its ratings.

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Technology-led Underwriting Model Improves the Ability to Rapidly Scale-up: LCPPL has no branches and the lending process is entirely digital with a majority of its credit risk underwriting processes – origination, risk assessment and disbursement being digitally performed. Minimal manual intervention provides the company with the ability to grow its loan portfolio at a faster pace with asset quality metrics being largely monitored by the algorithms. However, LCPPL largely competes with established banks in the personal loans segment with the company's borrower profile mainly leaning towards the digitally-savvy younger demographics (around 50% are less than 35 years of age) who require personal loans for home improvement, weddings, vacations, medical emergencies etc. Consequently, while technology provides a competitive edge over traditional banks, considering the loan process – from application to disbursal takes less than 2 days, banks can provide loans at lower rates. Additionally, CARE Ratings notes that while technology has demonstrated its capacity for faster sourcing and disbursement, the ability of the self-learning algorithms to keep a check on the quality of the loans being sourced is still evolving and remains to be proved.

Experienced Senior Management Team: The promoters of LCPPL have a vast experience in retail financing and technological environment. Mr. Satyam Kumar (CEO and co-founder) has over 20 years of experience in mortgage book building, collection, key account management and underwriting. Mr. Vikas Kumar (CTO) has over 20 years of experience in Technology and Online platform. He was a former co-founder of Brainvisa Technologies and SME Joinup. The promoters are exposed to multicultural and large team handling roles on funding and strategy fronts.

Key Rating Weaknesses

Moderate asset quality aggravated by the Pandemic: LCPPL has adopted a policy of Non-Performing Assets (NPA) recognition based on 180+ DPD with 10% provision coverage ratio and write-off policy of 450+ DPD. However, CARE has considered NPA (based on 90+ DPD) for its assessment and comparison of asset quality across peers. Accordingly, the Gross NPA ratio (based on 90+ DPD) deteriorated from 3.76% as on March 31, 2020 to 5.53% on Mar 31, 2021, although it improved slightly to 4.53% as at Sep 30, 2021. On similar lines, adjusted GNPA (including write-offs) increased to 8.77% (Mar 31, 2020: 4.80%) while improving slightly to 5.83% at Sep 30, 2021. Monthly current collection efficiency improved from 80.70% in April 2021 to 91.63% in September 2021.

In response to the evident pandemic-related stress, LCPPL subsequently tightened its credit risk assessment process as evidenced by its high borrower rejection rate of about 90%, discontinuation of loan products with tenure of more than 3 years and reduction in average ticket size of portfolio from Rs. 2.5-3 lacs to Rs. 1.5 lacs. While CARE Ratings takes comfort from the healthy capital headroom it maintains which provides a buffer against expected losses, the company's ability to collect its arrears and improve overall collections will be closely monitored.

Limited Operating History and Moderate Scale Of Operations: LCPPL has less than five years of its business operations with a CAGR growth of 75.9% over FY19-FY21 with a loan portfolio tenure averaging at 2.75 to 3 years. This results in a largely unseasoned loan portfolio. As a result, the

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quality of underwriting through different economic cycles is yet to be established inducing a level of uncertainty. Moreover, CARE Ratings observes that the company has been making foray into the Buy-Now-Pay-Later (BNPL) model which are relatively shorter tenure loans. The quality of sourcing and underwriting of the same is yet to be seen. Moreover, credit risk models based on data analytics and machine learning will continuously evolve both with time as well as with growth in portfolio. Subsequently, the robustness of these models will only be ascertained over a period of time.

Moderate Financial Profile: The group broke-even in FY20 with a consolidated net profit after tax of Rs. 0.60 crore and during Q1FY22, PAT stood at Rs. 0.45 crore due to lower write-offs of Rs. 1.71 crore. However, due to COVID-19 related stress, earnings profile deteriorated during FY21 with LCPPL reporting a net loss of Rs. 4.91 crore mainly due to higher write offs of Rs. 10.03 crore as compared to PAT during FY20 of Rs. 0.40 crore (H1FY22: Rs. 1.09 crore).

CARE Ratings observes that post-pandemic, some operations such as document pick-ups which were manual have been digitised with KYC also being performed online thus bringing in some cost benefits. The second wave of Covid-19 and the current economic situation are likely to have some impact on the asset quality metrics as seen from the increased write-offs and is likely to pressurise LCPPL's profitability in the medium term. This may be partly offset by the shorter-tenure BNPL loan portfolio considering this model has higher yields and results in quicker profits thus providing some support. Also, we note that, the earnings of the company remain supported by lower gearing levels.

Concentrated Resource Profile: The debt profile of LCPPL as at Sep 30, 2021 consists of term loans from NBFCs and one bank, followed by NCDs and CP issuances. It had outstanding borrowings of Rs. 183.57 crore as at Mar 31, 2021 (Sep 30, 2021: Rs. 183.16 crore). The company is mainly dependent on term loans from banks and other financial institutions for its funding requirements. As on Sep 30, 2021, these constituted about 52% of its borrowings followed by NCD contributing to 27% and then CP at about 19%. LCPPL also engages in various forms of off-balance sheet funding and securitization of its loan assets in the form of Pass-Through Certificates and Direct Assignment. The securitised/ managed portfolio constituted 27% of its total AUM as on Sep 30, 2021. Going forward, the company plans to maintain short term borrowings at 10% of their borrowing profile.

Going forward, the ability of LCPPL to raise funds at competitive rates along with proportion of short-term borrowings to facilitate its liquidity profile will be closely monitored.

Liquidity: Adequate
LCPPL's asset liability maturity (ALM) profile reflected no negative cumulative mismatches across all maturity buckets as on September 30, 2021. Liquidity profile remains supported by the unencumbered cash and bank balances maintained amounting to Rs. 44.65 crore as on September 30, 2021. 60% of the company's loans have longer tenure, higher than one year. Taking into account, the company's dependence on shorter-tenure funding, CARE Ratings notes that the liquidity management will remain a key monitorable to ensure that the mismatches between longer

term products and short-term funding are bridged with the management of collections and repayments at all times.

Analytical approach:
CARE Ratings has analyzed the standalone profile of LCPPL. CARE Ratings has also factored in financial and technological support from its parent entity, Loantap Financial Technologies Private Limited (LFTPL).

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Notching by factoring linkages in ratings
Financial ratios – Financial sector
Rating Methodology- Non-Banking Finance Companies
Criteria for Short Term Instruments

About the Company
Registered as an NBFC-ND with the Reserve Bank of India (RBI), LCPPL is a retail lender providing personal loans to the retail salaried segment through a digital model. LCPPL was formerly known as Lotus Sree Filco Pvt Ltd (LSFPL) but was inactive till 2016. After Loantap Financial Technologies Private Limited (LFTPL) acquired a 24% shareholding in LCPPL in 2016, the company is now a subsidiary of Loantap Financial Technologies Private Limited (LFTPL) with the latter holding a stake of 99.74% as on Mar 31, 2021.

LFTPL had also acquired Bajrang Investments Pvt. Ltd (later renamed as I-Loan Credit Private Limited) a Delhi based two-wheeler lending NBFC in June 2017 and holds 74.02% stake in it. I-Loan Credit Private Limited is majorly focused towards MSME financing.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total Income	47.04	49.90	33.71
PAT	0.40	-4.91	1.09
Interest coverage (times)	1.02	0.75	1.09
Total Assets*	282.86	313.43	302.39
Net NPA (90+ DPD) (%)	3.40	4.98	4.23
ROTA (%) (on book)	0.17	-1.65	0.75

A: Audited; UA; Unaudited; All ratios are as per CARE's Calculations; Total assets are net of deferred tax assets and intangibles.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

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Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed fund-based limits	-	-	-	-	190.00	CARE BBB-; Stable
Debentures-Non-Convertible Debentures	INE0B4P07014	31-03-2021	30-09-2022	13.00%	5.53	CARE BBB-; Stable
Debentures-Non-Convertible Debentures	INE0B4P07022	31-05-2021	30-11-2022	12.50%	8.33	CARE BBB-; Stable
Debentures-Non-Convertible Debentures (Proposed)	INE0B4P07030	15-06-2021	15-12-2022	12.50%	5.50	CARE BBB-; Stable
Debentures-Non-Convertible Debentures (Proposed)	-	-	-	-	5.64	CARE BBB-; Stable
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14150	04-06-2021	12.00%	03-12-2021	3.05	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14168	06-07-2021	11.50%	04-01-2022	3.80	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14176	06-07-2021	12.00%	07-04-2022	1.20	CARE A3
Commercial Paper-Commercial Paper	INE0B4P14184	05-08-2021	12.00%	06-05-2022	3.35	CARE A3

(Standalone)						
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14192	05-08-2021	11.50%	03-02-2022	2.95	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14218	25-08-2021	13.25%	29-11-2021	2.50	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14226	31-08-2021	13.25%	30-12-2021	2.50	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14234	09-09-2021	13.25%	27-01-2022	5.00	CARE A3
Commercial Paper-Commercial Paper (Standalone)	INE0B4P14242	14-09-2021	11.00%	13-12-2021	5.00	CARE A3
Commercial Paper-Commercial Paper (proposed)	-	-	-	-	0.65	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Proposed fund-based limits	LT	190.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (15-Mar-21) 2)CARE BBB-; Stable (15-May-20)	1)CARE BBB-; Stable (14-Feb-20)	1)CARE BBB-; Stable (04-Feb-19)
2	Issuer Rating-Issuer Ratings	Issuer rat	-	-	1)Withdrawn (05-Oct-21)	1)CARE BBB- (Is); Stable (15-Mar-21) 2)CARE BBB- (Is); Stable (15-May-20)	-	-
3	Commercial	ST	30.00	CARE	1)CARE A3	1)CARE A3	-	-

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	Paper-Commercial Paper (Standalone)			A3	(24-May-21)	(15-Mar-21) 2)CARE A3 (15-May-20)		
4	Debentures-Non-Convertible Debentures	LT	25.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (15-Mar-21)	-	-

Annexure-3: **Detailed explanation of covenants of the rated instrument / facilities**- Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-Convertible Debentures	Simple
3	Fund-based - LT-Proposed fund-based limits	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**