

Rating Rationale

August 01, 2024 | Mumbai

Namdev Finvest Private Limited

'CRISIL BBB+/Stable' assigned to Non Convertible Debentures; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.400 Crore (Enhanced from Rs.200 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)

Rs.100 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Assigned)
Rs.40 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Reaffirmed)
Rs.60 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Reaffirmed)
Rs.25 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Reaffirmed)
Rs.45 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Reaffirmed)
Rs.50 Crore Commercial Paper	CRISIL A2+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB+/Stable**' rating to the Rs.100 crore non-convertible debentures of Namdev Finvest Private Limited (NFPL) and has reaffirmed its '**CRISIL BBB+/Stable/CRISIL A2+**' ratings on the remaining debt instruments and bank facilities.

The rating action reflects the company's ability to maintain healthy capitalisation metrics backed by timely equity raises and internal accruals and improving earnings profile in fiscal 2024. The company has raised ~Rs. 235 crore in fiscal 2024. Subsequently, the net worth improved to Rs. 410 crore as on March 31, 2024, as against Rs. 146 crore as on March 31, 2023, resulting in improvement in gearing to 2.8 times as of March 2024 as against 4.6 times as of March 2023.

The rating also reflects the significant scale up in the portfolio being supported by the capital raise and strong management team supported by an involved board and advisors. NFPL's AUM grew at an annualised growth rate of ~89% during fiscal 2024 to reach Rs. 1185 crore from Rs. 628 crore last fiscal. NFPL mainly focuses on MSME loans which accounts for ~89% of the portfolio and supports adoption of environment friendly green goods and vehicles by providing loans for electric vehicles, solar rooftops, etc and this book is ~4%. Other loans are mainly towards Commercial vehicle and two-wheeler financing but that will continue to remain a small portion of its entire loan portfolio.

Along with the scale-up in operations, NFPL have been able to improve its earnings profile as well as reflected through improvement in return on managed assets (RoMA) to 2.2% in fiscal 2024, as compared to 1.6% in fiscal 2023. The 90+ dpd also remained comfortable at 1.2% as on March 31, 2024, as against 1.1% as on March 31, 2023.

These strengths are partially offset by high, albeit improving, geographical concentration as well as inherent vulnerability of asset quality metrics given the segment of operation. While asset quality metrics for the company have remained comfortable so far, however, sustainability of the same as the portfolio scales up will remain a key monitorable.

Analytical Approach

CRISIL Ratings has considered the standalone business, financial and management risk profiles of NFPL for arriving at the ratings.

Key Rating Drivers & Detailed Description

Strengths:

- **Strong management team with experienced board members actively involved in operations:** NFPL was taken over by the new management under the leadership of Mr. Jitendra Tanwar in 2013. Since then, the management is actively involved in operations and building its portfolio. In 2017, the team started focusing on building the MSME loan book. The management is also focused on building good governance systems. To support the same, NFPL hired seasoned professionals in fiscal 2024 with long stand experience in the financial services industry who are more actively involved in the company operations. The board of the company also includes experienced professions who look into the strategy and operations of the company. The management team along with the strong board and advisors to the board should continue to support the scale up in the portfolio.
- **Healthy capitalization:** Capitalization metrics have been supported by the regular capital infusion and healthy internal accruals. The company has raised ~ Rs. 338 crores since inception out of which ~Rs. 235 crores have been infused recently in fiscal 2024 with the latest investment of ~Rs. 125 crores coming from MAJ Invest. Subsequently, networth and gearing improved to Rs. 410 crores and 2.8 times respectively as on March 31, 2024, as against Rs. 146 crores and 4.6 times respectively as on March 31, 2023. The company also plans to raise additional equity in fiscal 2025.

CRISIL Ratings expects capitalization to remain healthy supported by internal accruals and regular capital infusion. On a steady state basis, the gearing is expected to remain under 5 times. Overall capital adequacy ratio also remained comfortable at 34.2% as on March 31, 2024 and 22.3% as on March 31, 2023.

- **Comfortable earnings profile:** Given the segment of operations, the Net Interest Margins (on total income basis) tends to be high and have remained over 7.3% (11.2% as a percentage of average AUM) during the last 3 years driven by the high yields on the portfolio given the inherent borrower profile. With controlled asset quality metrics, NFPL has been able to control its credit costs which has supported the earnings profile. The credit costs continued to remain range-bound and stood at 0.3% in fiscal 2024.

However, given the branch based business model, the operating expenses are elevated at 6.1% and 4.8% as on March 31, 2024 and March 31, 2023 respectively as against 4.8% as on March 31, 2022. NFPL has a network of 112 branches as on March 2024 (83 as on March 2023) and plans on adding 30-40 branches in the next fiscal. As the company increases its branch network and scales up its operations, operating expenses are likely to remain elevated even going forward.

Nevertheless, the return on managed assets (RoMA) have improved to 2.2% in fiscal 2024, as against 1.6% in fiscal 2023. The ability of the company to manage its credit costs and profitability while scaling up of operations will continue to remain a key monitorable.

Weaknesses:

- **High, albeit improving, geographical concentration:** NFPL's AUM grew at an annualised growth rate of ~89% during fiscal 2024 to reach Rs. 1185 crore from Rs. 628 crore last fiscal. NFPL mainly focuses on MSME loans which accounts for ~89% of the portfolio, and supports adoption of environment friendly green goods and vehicles by providing loans for electric vehicles, solar rooftops, etc and this book is ~4%. Other loans are mainly towards Commercial vehicle and two-wheeler financing but that will continue to remain a small portion of its entire loan portfolio.

In the last few years, the company has diversified its geographical composition and currently has a presence in 8 states - Rajasthan, Gujarat, Madhya Pradesh and Punjab. The company has recently entered Uttar Pradesh, Uttarakhand, Delhi and Haryana. However, Rajasthan continued to dominate the majority of the portfolio with share of 78% as of March 31, 2024, which has improved from 95% as of March 31, 2022. The ability of the company to further reduce the geographical concentration will remain a monitorable.

- **Inherent vulnerability of asset quality metrics given the segment of operation:** The asset quality metrics of the company remain inherently vulnerable to slippages given the segment of operation. The company has put in place strong risk management systems and processes which have supported asset quality so far. The 90+ dpd for Namdev remained comfortable at 1.22% as on March 31, 2024, and 1.1% as on March 31, 2023. The same is also reflective of the healthy collection efficiency in the range of 97%-102% over the last 5 years.

The company has put in place adequate underwriting practices and risk management practices where the credit team personally visits customers to gather essential information about their financial standing, collateral value, employment details and repayment capacity. This along with the information obtained from credit bureaus and the recorded loan details helps the team make informed decisions regarding loan approvals, interest rates, and repayment terms.

Nevertheless, as the company scales up its operations in the newer geographies, its ability to manage asset quality metrics will remain a key rating sensitivity factor.

Liquidity: Adequate

The liquidity profile of the company remains comfortable with positive cumulative mismatches across buckets up to 1 year, as on March 31, 2024. As on June 30, 2024, NFPL had cash and cash equivalents of ~Rs. 269 crores, against which it had a total cash outflow of ~Rs 188 crore over the next 3 months.

Outlook: Stable

CRISIL Ratings believes Namdev Finvest will continue to maintain healthy capitalization metrics and earnings profile while benefiting from the experience of the promoters and the board members. However, asset quality performance as the portfolio scales up will remain a key monitorable.

Rating Sensitivity factors

Upward Factors:

- Sustained asset quality metrics and improvement in earnings profile with a significant scale up in the portfolio
- Capitalization metrics continuing to remain comfortable, with gearing remaining under 4-5 times

Downward Factors:

- Any adverse movement in asset quality with 90+dpd increasing beyond 4% and earnings profile of the company getting impacted.
- Stress in capitalization metrics with significant increase in gearing while scaling up the portfolio

About the Company

Established in the year 1997, NFPL is a RBI registered, non-deposit taking NBFC and is headquartered in Jaipur, Rajasthan.

NFPL is driven by the vision to become the preferred lending institution for families and MSME business in rural and semi-urban markets. NFPL aspires to be a catalyst for change, particularly those at the bottom of the financial pyramid, with a

strong commitment to serve the financially underserved and become a one-stop-shop solution by offering customized financial solutions.

The AUM of the company stood at Rs. 1185 crore as on March 31, 2024 and Rs. 628 crore as on March 31, 2023 as against Rs. 346.2 crore as on March 31, 2022.

Key Financial Indicators

As on/for the quarter/for the year ended		Mar-24	Mar-23	Mar-22	Mar-21
Total assets	Rs crore	1598.4	842.8	648.4	298.9
AUM	Rs crore	1185.1	627.7	346.2	241.4
Total income (Net of interest expense)	Rs crore	115.7	54.7	39.2	25.5
Profit after tax	Rs crore	26.7	12.0	10.9	8.2
90+ dpd	%	1.22	1.12	1.0	0.9
Overall capital adequacy ratio	%	34.2	22.3	36.7	26.1
Gearing	Times	2.8	4.6	4.2	4.1
Return on managed assets [^]	%	2.2	1.6	2.2	3.1

[^]based on year end averages

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity	Rating assigned with outlook
NA	Non Convertible Debentures*	NA	NA	NA	100	Simple	CRISIL BBB+/Stable
NA	Non Convertible Debentures*	NA	NA	NA	15	Simple	CRISIL BBB+/Stable
NA	Non Convertible Debentures*	NA	NA	NA	10.49	Simple	CRISIL BBB+/Stable
INE0IX207171	Non Convertible Debentures	05-Jul-2024	11.80%	05-Jul-2027	45	Simple	CRISIL BBB+/Stable
INE0IX207122	Non Convertible Debentures	30-Jun-2023	11.15%	08-May-2027	44.51	Simple	CRISIL BBB+/Stable
INE0IX207130	Non Convertible Debentures	27-Jul-2023	12.96%	27-Apr-2026	10	Simple	CRISIL BBB+/Stable
INE0IX207148	Non Convertible Debentures	30-Nov-2023	11%	30-May-2026	20	Simple	CRISIL BBB+/Stable
INE0IX207155	Non Convertible Debentures	21-Mar-2024	13.05%	31-Jul-2025	10	Complex	CRISIL BBB+/Stable
INE0IX207163	Non Convertible Debentures	27-Mar-2024	12.40%	26-Sep-2026	15	Simple	CRISIL BBB+/Stable
NA	Commercial Paper	NA	NA	7-365 days	50	Simple	CRISIL A2+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	221.9	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	30-Sep-2028	45.83	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	30-Sep-2026	13.14	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	31-Jul-2028	23.68	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	10-Dec-2028	14.59	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	31-Oct-2025	4.25	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	31-Oct-2027	9.35	NA	CRISIL BBB+/Stable

NA	Term loan	NA	NA	05-Nov-2026	12.56	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	25-Jan-2027	9.21	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	25-Dec-2026	23.61	NA	CRISIL BBB+/Stable
NA	Term loan	NA	NA	03-Dec-2026	21.88	NA	CRISIL BBB+/Stable

*Yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	400.0	CRISIL BBB+/Stable	29-05-24	CRISIL BBB+/Stable	30-11-23	CRISIL BBB+/Stable		--		--	--
			--	18-03-24	CRISIL BBB/Stable	27-06-23	CRISIL BBB/Stable		--		--	--
Commercial Paper	ST	50.0	CRISIL A2+	29-05-24	CRISIL A2+	30-11-23	CRISIL A2		--		--	--
			--	18-03-24	CRISIL A2	27-06-23	CRISIL A2		--		--	--
Non Convertible Debentures	LT	270.0	CRISIL BBB+/Stable	29-05-24	CRISIL BBB+/Stable	30-11-23	CRISIL BBB+/Stable		--		--	--
			--	18-03-24	CRISIL BBB/Stable	27-06-23	CRISIL BBB/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	200	Not Applicable	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility	21.9	Not Applicable	CRISIL BBB+/Stable
Term Loan	23.68	Union Bank of India	CRISIL BBB+/Stable
Term Loan	9.21	Utkarsh Small Finance Bank Limited	CRISIL BBB+/Stable
Term Loan	23.61	Kotak Mahindra Investments Limited	CRISIL BBB+/Stable
Term Loan	13.14	Capital Small Finance Bank Limited	CRISIL BBB+/Stable
Term Loan	4.25	Nabsamruddhi Finance Limited	CRISIL BBB+/Stable
Term Loan	45.83	IDFC FIRST Bank Limited	CRISIL BBB+/Stable
Term Loan	9.35	Nabsamruddhi Finance Limited	CRISIL BBB+/Stable
Term Loan	12.56	Ambit Finvest Private Limited	CRISIL BBB+/Stable
Term Loan	21.88	AU Small Finance Bank Limited	CRISIL BBB+/Stable
Term Loan	14.59	State Bank of India	CRISIL BBB+/Stable

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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