RATING RATIONALE

30 June 2021

Capri Global Capital Limited

Brickwork Ratings reaffirms ratings at 'BWR AA-'/Negative for the NCDs and Bank Loan Facilities of Capri Global Capital Limited

Particulars

Facility/ Instrument **	Amount Rated (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2020)	Present
Fund Based- Term Loans	4,500.00	**4,500.00**	Long Term	BWR AA-/ Negative	**BWR AA-/ Negative (Reaffirmed)**
Fund Based- Cash Credit	120.00	**120.00**			
Non-Convertible Debentures	50.00	**50.00**	Long Term	BWR AA-/ Negative	**BWR AA-/ Negative (Reaffirmed)**
Total	4,670.00	**4,670.00**	**INR Four Thousand Six Hundred Seventy Crores Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of bank facilities/ NCDs are provided in Annexures I & II.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms ratings at 'BWR AA-/Negative' for the non-convertible debentures (NCDs) and bank loan facilities of Capri Global Capital Limited (CGCL or the company). The reaffirmation of the rating factors in CGCL's healthy capitalisation, comfortable profitability and adequate liquidity position on a consolidated basis. The rating is, however, constrained by the moderate scale of operations with geographic concentration and marginal deterioration in asset quality of the company and its housing finance subsidiary, Capri Global Housing Finance Limited (CGHFL). Additionally, with seasoning in the portfolio, the company's ability to maintain asset quality, raise adequate funding and pursue growth over the near to medium term will be key rating monitorables.

The continuation of the Negative outlook is on account of expected pressure on asset quality in the MSME and construction finance segments due to the second wave of the COVID-19 pandemic. About 52% of the consolidated portfolio as on 31 March 2021 comprises micro, small and medium enterprises (MSME) loans primarily to the self-employed non-professional borrowers. This segment has been adversely impacted by the second wave of the pandemic. The MSME segment reported a GNPA of 5.5% as on March 31, 2021, as against 4.04% as on March 31, 2020.
The company commenced MSME lending in 2013 while Housing Finance was initiated in 2016. MSME portfolio has grown from Rs.1,542 Crs as on 31 March 2018, to Rs.2,511 Crs as on 31

March 2021, at a 3-year CAGR of 17.67%. The Housing Loan portfolio grew at a 3 year-CAGR of 67.68%, from Rs.245 Crs as on 31 March 2018, to Rs.1,155 Crs as on 31 March 2021. Since the growth in the MSME and Home Loan segments has happened in the last few years, the portfolio is moderately seasoned and the entire repayment behaviour of the Home Loan segment is yet to be seen.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

KEY RATING DRIVERS

Credit Strengths-:

Healthy capitalisation: The company is well-capitalised with a consolidated networth of Rs.1,717 Crs as on 31 March 2021. The company's gearing stood at 2.22 times as on 31 March 2021 as against 1.87 times as on 31 March 2020, on a consolidated basis. The capital adequacy ratio of CGCL (on a standalone basis) stood at 35.46% and that of CGHFL stood at 31.16%. BWR believes the company is well-capitalised to pursue growth and cover for any asset side risks, including those arising due to the COVID-19 crisis, over the medium term.

Comfortable profitability: The company reported a consolidated Profit After Tax (PAT) of Rs.177 Crs on total income of Rs.737 Crs in FY21, as compared to PAT of Rs.161 Crs on total income of Rs.720 Crs in FY20. The growth of 10% in PAT was mainly driven by reduction in operating costs and lower cost of borrowings.
The Net Interest Income stood at Rs.385 Crs in FY21, vis-a-vis Rs.387 Crs in FY20, while the Net Interest Margin (NIM) came down from 9.51% in FY20 to 8.74% in FY21, on account of skewed disbursements. The disbursements in the first half of FY21 (from April 2020 to September 2020) were lower at Rs.234 Crs, subsequently picking up in H2FY21 (from October 2020 to March 2021) to Rs.1,378 Crs, on account of easing of lockdown.

The borrowing cost has reduced from 9.92% in FY20, to 8.74% during the previous year, on account of reduction in MCLR and spread, and partly on account of prepayments of high-cost debt. The company made term loans prepayments of Rs.754 Crs in FY21. Additionally, the company also made term loan prepayments of Rs.375 Crs in FY22, till June 15, 2021.

The company has initiated cost optimization measures since FY19 to improve operational efficiency, through renegotiated rentals, reducing administration expenses and branch optimization. The operating cost as a % of total income has reduced from 45.09% during FY19 to 38.61% during FY20 and further to 32.95% during FY21. The benefit of lower operating costs was partially offset by impairment on financial instruments (Expected Credit Loss). Impairment on financial instruments as a % of average assets stood at 1.06% during FY21, compared with 0.81% during FY20.
BWR believes that the credit costs for the NBFC sector might remain elevated on account of the ongoing pervasiveness of the Covid-19 crisis and resultant uncertainties with respect to the resumption of normal business operations. Deterioration in asset quality and the resultant impact

on the credit costs may result in a moderation in profitability for FY22. However, considering the secured nature of the portfolio, the ultimate credit risk is mitigated.

Diversified loan book: The company is a diversified NBFC with lending across segments such as MSMEs, construction finance, affordable housing and to financial institutions. The consolidated Assets under Management (AUM) reported a robust growth of 20% Y-o-Y, to Rs.4,848 Crs as on March 31, 2021, from Rs.4,035 Crs as on the previous year-end.

As on 31 March 2021, the portfolio mix comprises MSME loans at 52%, followed by construction finance at 18%, housing finance at 24% and lending to financial institutions at 6%. The housing finance business is done through CGHFL, its wholly owned subsidiary.
The company continues to reduce its exposure to the relatively riskier construction finance segment, which has come down to 18% (as a % of overall loan portfolio) in FY21, from the peak level of 33% in FY17. The Construction Finance book is granular in nature, with average ticket size of Rs.6.94 Crs and average LTV (Loan to Value) of 32.3%. The company plans to continue to mainly focus on MSME and housing finance over the medium term. MSME book grew by 23% Y-o-Y, to Rs 2,511 Crs, whereas the housing finance book grew by 29% Y-o-Y, to Rs 1,155 Crs as on March 31, 2021.
Further, the company may venture into newer product segments like used car and 2-wheeler financing.

Experienced management: CGCL and its subsidiary CGHFL is led by a qualified and experienced management team having vast experience in banking and financial services. Mr. Rajesh Sharma, the founder and managing director, has about 2.5 decades of experience in capital markets. CGCL is led by an experienced board with most of the members having an experience of over 3 decades. The company also has an experienced team of professionals at the senior and middle management levels.

Credit Risks-:
Moderate scale of operations with geographic concentration: The company's scale of operations is moderate, with an AUM of Rs.4,848 Crs as on 31 March 2021 (Rs.4,035 Crs as on 31 March 2020). The company operates in 10 states in India, majorly across North and West India. The MSME portfolio is concentrated in Delhi NCR, Gujarat, Madhya Pradesh, Maharashtra and Rajasthan, contributing to about 96% of the MSME portfolio as on 31 March 2021. The housing finance portfolio is spread across Maharashtra (30%), Madhya Pradesh (26%), Gujarat (22%), Delhi, NCR and Rajasthan (11% each). The company's ability to steadily increase its loan portfolio, along with geographical diversification, is a key monitorable.

Average asset quality: Asset quality has deteriorated at a consolidated level with GNPA (gross non-performing assets) and NNPA (net non-performing assets) levels rising to 3.30% and 0.90%, respectively, as on 31 March 2021 from 2.36% and 0.79%, respectively, as on 31 March 2020. The deterioration in asset quality is mainly attributed to the MSME portfolio. NNPA continues to remain <1% at the end of FY 21 due to provisioning. However, 100% of CGCL's loans are fully secured by charge on Residential / Commercial property which shall ensure minimal credit loss.

Restructured loans stood at ~Rs 184 Crs or 3.8% of AUM, out of which Rs.182 Crs pertained to the MSME portfolio and the balance Rs.2 Crs belonged to the Housing Loan book.

The asset quality may witness further pressure in H1FY22 due to the impact of the COVID-19 crisis on the domestic economy. The ability of the company to control incremental slippages to NPAs and improve collection efficiency over the near term is a key rating sensitivity factor.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has taken a consolidated view on CGCL and its wholly owned subsidiary, Capri Global Housing Finance Limited (CGHFL), given the strong operational, financial and managerial linkages between them. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to steadily grow its portfolio, while maintaining comfortable asset quality and capitalisation, will be key rating sensitivity factors.

Positive: Sustained growth in its loan portfolio with geographical diversification, maintaining comfortable asset quality, profitability and a prudent capital structure are key rating positives.
Negative: Weakening of asset quality or profitability, and/or continuation of muted growth.

LIQUIDITY POSITION: ADEQUATE

The company has adequate liquidity of Rs.1,368 Crs in the form of cash/bank, liquid investments, unutilized cash credit and term loan limits, as on 31 May 2021. Against this, the company has scheduled debt obligations (including interest) of Rs.711 Crs on a consolidated level, for the period June 2021 to March 2022. For the same period, the company has scheduled collections from borrowers, aggregating to Rs.917 Crs.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and publish the same. Amid the second wave of COVID-19 rampant in the country, BWR shall continue to monitor its implications on the company's operations, asset quality and profitability.

COMPANY PROFILE

Capri Global Capital Limited (CGCL) is a Mumbai based NBFC - Investment & Credit Company (NBFC-ICC) engaged in providing loans to the MSME and construction finance segments. CGCL also has a wholly owned subsidiary, Capri Global Housing Finance Limited, which provides loans to the housing finance segment. The company is promoted by Mr. Rajesh Sharma, who is the company's Managing Director. The promoter and promoter group held a 74.94% stake in CGCL as on 31 March 2021. CGCL is listed on the BSE and NSE.

KEY FINANCIAL INDICATORS (CGCL Consolidated)

Key Parameters	Units	FY20	FY21
Result Type		**Audited**	**Audited**
Total Income	(in ₹ Cr)	719.50	737.14
Net Profit	(in ₹ Cr)	161.23	176.95
Tangible Networth (TNW)	(in ₹ Cr)	1,515.30	1,696.96
Gearing (Debt/ TNW)	(in times)	1.87	2.22
Total AUM	(in ₹ Cr)	4,034.70	4,848.00
Gross NPA	(%)	2.36	3.30
Net NPA	(%)	0.79	0.90

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal & suspended)

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Name of Facility/ Instrument</th><th colspan="3">Current Rating (2021)</th><th colspan="9">Rating History for the past 3 years</th></tr>
<tr><th>Type</th><th>Amount (Rs. Crs)</th><th>Rating</th><th colspan="3">2020</th><th colspan="3">2019</th><th colspan="3">2018</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Term Loans</td><td rowspan="2">Long Term</td><td rowspan="2">4,500</td><td rowspan="2">BWR AA-/ Negative</td><td colspan="3">30.06.2020</td><td colspan="3">9.07.2019</td><td colspan="3">5.09.2018</td></tr>
<tr><td>Long Term</td><td>4,500</td><td>BWR AA-/ Negative</td><td>Long Term</td><td>4,500</td><td>BWR AA-/ Stable</td><td>Long Term</td><td>2,380</td><td>BWR AA-/ Stable</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Cash Credit</td><td rowspan="2">Long Term</td><td rowspan="2">120</td><td rowspan="2">BWR AA-/ Negative</td><td colspan="3">30.06.2020</td><td colspan="3">9.07.2019</td><td colspan="3">16.08.2018</td></tr>
<tr><td>Long Term</td><td>120</td><td>BWR AA-/ Negative</td><td>Long Term</td><td>120</td><td>BWR AA-/ Stable</td><td>Long Term</td><td>120</td><td>BWR AA-/ Stable</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">NCDs</td><td rowspan="2">Long Term</td><td rowspan="2">50</td><td rowspan="2">BWR AA-/ Negative</td><td colspan="3">30.06.2020</td><td colspan="3">NA</td><td colspan="3">NA</td></tr>
<tr><td>Long Term</td><td>50</td><td>BWR AA-/ Negative</td><td colspan="3"></td><td colspan="3"></td></tr>
<tr><td></td><td>Total</td><td></td><td>4,670</td><td></td><td colspan="9">INR Four Thousand Six Hundred Seventy Crores Only</td></tr>
</table>

Bank Loans - Simple

NCD - Simple

COMPLEXITY LEVELS OF THE INSTRUMENTS
For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Banks & Financial Institutions**

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ANNEXURE I - Details of Bank Facilities rated by BWR

Sr. No.	Lender Name	Type of Facility	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs)
1	Union Bank of India	Term Loan	373.97	-	373.97
2	State Bank of India	Term Loan	424.21	-	424.21
3	YES Bank Limited	Term Loan	100.00	-	100.00
4	Bank of Baroda	Term Loan	25.00	-	25.00
5	SIDBI	Term Loan	68.50	-	68.50
6	Indian Bank	Term Loan	280.59	-	280.59
7	Punjab National Bank	Term Loan	0.00	-	0.00
8	Bank of Maharashtra	Term Loan	85.42	-	85.42
9	Canara Bank	Term Loan	99.36	-	99.36
10	UCO Bank	Term Loan	169.80	-	169.80
11	Punjab & Sind Bank	Term Loan	29.17	-	29.17
12	Bank of India	Term Loan	148.44	-	148.44
13	Karnataka Bank Limited	Term Loan	6.36	-	6.36
14	ICICI Bank Limited	Term Loan	4.37	-	4.37
15	HDFC Bank Limited	Term Loan	0.33	-	0.33
16	Indian Overseas Bank	Term Loan	100.00	-	100.00
17	NABARD	Term Loan	200.00	-	200.00
	Existing Term Loans		**2,115.52**	-	**2,115.52**
	Proposed Term Loans		2,384.48	-	2,384.48
	Total Term Loans		**4,500.00**	-	**4,500.00**
1	Union Bank of India	Cash Credit	75.00	-	75.00

2	Yes Bank	Cash Credit	20.00	-	20.00
	Existing Cash Credit		**95.00**	-	**95.00**
	Proposed Cash Credit		25.00	-	25.00
	Total Cash Credit		**120.00**	-	**120.00**
	Total bank limits rated		**4,620.00**	-	**4,620.00**
	Total Rs. Four Thousand Six Hundred and Twenty Crs. only				

ANNEXURE II - INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount (Rs in Crs)	Coupon Rate	Maturity Date	ISIN Particulars
NCDs	23-07-2020	50.00	8.80	23-07-2023	INE180C07114

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