



## RATING RATIONALE

1 July 2021

### Centrum Capital Limited

**Brickwork Ratings revises the outlook for the Principal Protected Market Linked Debentures (PPMLD) of Rs. 200 Crs. of Centrum Capital Limited (CCL) from Stable to Credit watch with developing implications**

#### Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Sept 2020)	Present
PPMLDs	100.00	200.00	Long Term	BWR PPMLD BBB (Stable) (Assigned)	<b>BWR PPMLD BBB (Credit Watch with developing implications)</b>
	100.00		Long Term	BWR PPMLD BBB (Stable) (Reaffirmed)	
<b>Total</b>	200.00	<b>200.00</b>	<b>Rs. Two Hundred Crs. Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of PPMLDs are provided in Annexure-I

#### RATING ACTION / OUTLOOK

BWR has placed the ratings of PPMLDs of Centrum Capital Limited on Credit Watch with developing implications considering the in-principle approval received from the Reserve Bank of India (RBI) by Centrum Financial Services Ltd. (CFSL), a step down subsidiary of CCL, to set up a Small Finance Bank (SFB) under general “Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector” dated December 5, 2019. As per the press release of RBI dated June 18, 2021, the RBI would consider granting a licence for commencement of banking business under Section 22 (1) of the Banking Regulation Act, 1949, on being satisfied that CFSL has complied with the requisite conditions laid down by RBI as part of “in-principle” approval. The “in-principle” approval has been accorded in specific pursuance to CFSL’s offer dated February 1, 2021 in response to the Expression of Interest notification dated November 3, 2020 published by the Punjab & Maharashtra Co-operative Bank Ltd., Mumbai.

BWR will continue to closely monitor the progress on the proposed transaction including business and financial implications thereof, and take any rating action, as and when appropriate.

#### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

#### KEY RATING DRIVERS

The ratings factor in the experienced promoters and management team, diversified businesses in the Centrum Group (Group), comfortable capitalisation and sound asset quality in fund-based businesses. However, the ratings are constrained by high levels of the promoter share pledged and thin profitability at consolidated levels.



- **Credit Strengths:-**

- ❖ **Experienced promoters and management team:** The Centrum Group is led by Mr. Jaspal Bindra former Asia Pacific CEO at Standard Chartered Bank (more than 30 years of experience) in the role of Executive Chairman. The Group was promoted by Mr. Chandir Gidwani, a chartered accountant and first-generation entrepreneur. Centrum Group has a leadership team of seasoned experts with a long track record. The management team, consisting of qualified professionals with vast experience in their respective fields, are the promoters of the company. Additionally, each of the Group's businesses is led by an experienced management team.
- ❖ **Diversified business profile of the Group:** The Centrum Group has diversified fee-based businesses (wealth management, institutional business and insurance broking) and a lending business (including housing finance, microfinance and business loans to SMEs, supply chain and MSMEs). Centrum Group's Institutional services include Investment Banking, SME, MSME and an Institutional Broking Desk catering to FIIs, Pension Funds, Indian Mutual Funds, Domestic Institutions and HNIs. Centrum Group provides comprehensive Wealth Management Services to HNIs and Family Offices, Affordable Housing Finance in Tier 2 & 3 cities, Micro Finance and Insurance plans across Life, General & Health Insurance. Its Alternative Investment Management business offers funds across private debt, venture capital as well as Real Estate Management & Advisory. The Group has a PAN India presence operating out of 142 cities & towns, 200 offices, 1,735 team size and has an international presence in Singapore and Hongkong. During FY21, while the lending businesses remained stable, growth was supported by the fee based business. To that extent, a diversified business profile supports the consolidated financial condition during weak market conditions.
- ❖ **Comfortable capital position:** As on 31 March 2021, the consolidated networth stood at Rs. 724.8 Crs. The Centrum Group's lending entities have maintained adequate capital adequacy ratio above regulatory requirement with Capital adequacy of >100% for CHFL, 23.3% for CML and 30.7% for CSFL as on 31 Mar 2021. The Group has been able to raise equity of Rs 190 crs in Centrum Housing in FY 20 from a fund managed by Morgan Stanley Private Equity Asia. As on March 31, 2021, Debt securities have substantially increased to Rs. 1304 cr from Rs.914 cr as on March 31, 2020, though there was some reduction in other borrowings. On account of the above, the Group's debt to net worth ratio increased to 2.70 as on March 31, 2021 against 2.12 times as on 31 March 2020.

**Credit Risks:-**

- ❖ **High level of promoter share pledge:** As on 31 March 2021, the promoters of CCL had 41.7% of their holding in the company pledged to lenders against loans availed by them. As per discussions with the management, the promoters are planning to reduce the share pledge to around 30% in the near term. Hence, the reduction in the share pledge will be a key monitorable.



- ❖ **Thin profitability at consolidated level:** On consolidated basis, CCL has incurred net loss of Rs.41.8 crore against a net profit of Rs. 0.71 Cr. in FY 20. FY 20 numbers included a one time exceptional gain of Rs.67.99 cr mainly due to sale of a division and forfeiture of share warrants by promoters. The losses incurred in FY 21 were primarily due to credit costs (provisions) of 16.7 crs and depreciation of investments of Rs. 19 crs. The Group's ability to maintain profitability at a consolidated level will be a key monitorable over the medium term.
- ❖ **Deterioration of asset quality:** The Group's lending businesses carried out through Centrum Housing Finance Ltd (CHFL), Centrum Microcredit Limited (CML) and Centrum Financial Services Limited(CFSL). As on 31 March 2021, the gross non-performing assets (GNPAs) were at 2.9% (1.29% prev year), 0.91% (0.37% prev year) and 1.5% (1.90% prev year) for CHFL, CML and CFSL respectively. The Net Non performing assets (NNPAs) were at 2.06% (1.10% Prev Year), 0.15% (0.09% prev year) and 0.62% (0.74% pre year) respectively. In view of the current Covid scenario, asset quality remains a key rating monitorable.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at the ratings, BWR has combined the business and financial risk profiles of the Centrum Group companies, which mainly include CCL and its subsidiaries Centrum Financial Services Limited (CFSL), Centrum Housing Finance Limited (CHFL), Centrum Microcredit Limited (CML), Centrum Wealth Management Limited (CWML) and Centrum Broking Limited (CBL). These are material businesses for the Group. There are other entities consolidated in CCL as well. The list of the same is provided in Annexure II.

#### **RATING SENSITIVITIES**

**Positive:** A significant improvement in the financial risk profile and market share of the Group including a substantial increase in revenue and profitability while maintaining asset quality, and reducing the promoter share pledge will be a rating positive.

**Negative:** A significant deterioration in business volumes, asset quality or earning profile and/ or an increase in the level of shares pledged by the promoters will be key rating negatives.

#### **LIQUIDITY INDICATORS: Adequate**

As on 31 May 2021, on a consolidated level, the Group had liquidity of about Rs. 400 Crs, including cash and cash equivalent and Bank deposits. The Group also has undisbursed sanctions in excess of 100 Cr. as on date. The repayment obligation of the Group till 30 September 2021 is less than Rs.150 Cr.

#### **COMPANY'S / FIRM' PROFILE**

The Centrum Group was founded in 1997 by Chandir Gidwani and Late. Khushroo Byramjee with forex and merchant banking arms. Currently Mr. Jaspal Bindra leads the Group as Executive Chairman. It operates in diversified fee businesses (wealth management, institutional business and insurance broking) and lending business (including housing finance, microfinance and business loans to SMEs and MSMEs). Other business segments include broking and asset management services, offering funds across private debt, public equity,



venture capital and real estate. The Group grew its business by launching a credit fund and acquiring the supply chain finance business of L&T Finance. The Group AUM grew to ~Rs. 2183 Crs. as on March 31, 2021.

**The Wealth Management** business offers distribution, investment advisory and family office services across the asset classes of equity, fixed income, real estate and alternative investments. The family office platform provides services to UHNI families and assists them on matters related to investment advisory, tax planning and succession planning, among others. It has a strong management team with 150+ man years of experience and an offshore presence in Singapore and Mauritius.

**Centrum Financial Services Limited** is a systemically important NBFC and operates primarily in five segments/products, viz. commercial lending, supply chain, financial institutions, real estate and MSME. As on 31 March 2021, CFSL's Loan book was about Rs.875 Crs, compared with Rs 843 Crs as on 31 March 2020.

**Centrum Housing Finance Limited** was founded in 2016. This lending arm caters to the middle class segment and provides financial inclusion to lower and middle income (LMI) families by giving them access to long-term housing finance. The business offers home loans, self-construction loans, top-up loans and loans against property to cater to specific needs. The loan book grew to around Rs.472 Crs in FY21, against Rs. 450 Crs. in FY20.

**Centrum Microcredit Limited** is the company formed by the Group post the acquisition of the microfinance business of FirstRand Bank India (FRB) in December 2017. Centrum Microcredit is an NBFC-MFI regulated by the RBI. The business provides loans under the joint liability Group model to low-income women entrepreneurs in urban, semi-urban and rural areas. It has increased its reach to 9 states with 130 branches with a loan book of Rs 427 Crs as at the end of FY 21

## KEY FINANCIAL INDICATORS

### **CENTRUM CAPITAL LTD. (CONSOLIDATED)**

<b>Key Financial Indicators</b>	<b>Units</b>	<b>FY2020</b>	<b>FY 2021</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Total Income	Rs.in Crs	480.47	513.15
Profit after tax	Rs.in Crs	0.71	-41.80
Networth	Rs.in Crs	817.03	776.25
Total Debt	Rs in Crs	1823.22	2096.66
Debt to Networth	Times	2.23	2.70

**RATING HISTORY FOR THE PREVIOUS THREE YEARS**

S. No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating	23 Sept 20	8 Nov 19	2018
1	PPMLD	Long Term	100.00	BWR PPMLD BBB (Credit Watch with developing implications)	BWR PPMLD BBB (Stable) (Reaffirmed)	BWR PPMLD BBB (Stable) (Assigned)	NA
2	PPMLD	Long Term	100.00	BWR PPMLD BBB (Stable) (Assigned)			NA

**COMPLEXITY LEVELS OF THE INSTRUMENTS: Complex**

For more information, visit

[www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
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**CENTRUM CAPITAL LIMITED**

**ANNEXURE I**

**Details of PPMLD rated by BWR**

**Outstanding amount Rs.193.49 cr as on March 31, 2021**

<b>Instruments</b>	<b>Issue Date</b>	<b>Amount in Crs</b>	<b>Coupon rate%</b>	<b>Maturity Date</b>	<b>ISIN Particulars</b>
PPMLD	December 17, 2019	4.41	Market Linked	31-Dec-21	INE660C07719
PPMLD	December 30, 2019	1.30	Market Linked	9-Jul-23	INE660C07727
PPMLD	January 22, 2020	2.50	Market Linked	1-Aug-23	INE660C07743
PPMLD	January 28, 2020	4.79	Market Linked	31-Dec-21	INE660C07719
PPMLD	January 31, 2020	2.81	Market Linked	1-Aug-23	INE660C07743
PPMLD	February 13, 2020	2.05	Market Linked	31-Dec-21	INE660C07719
PPMLD	February 25, 2020	2.50	Market Linked	1-Aug-23	INE660C07743
PPMLD	March 06, 2020	2.30	Market Linked	31-Dec-21	INE660C07719
PPMLD	March 13, 2020	1.00	Market Linked	1-Aug-23	INE660C07743
PPMLD	March 20, 2020	0.75	Market Linked	31-Dec-21	INE660C07719
PPMLD	May 08, 2020	1.10	Market Linked	31-Dec-21	INE660C07719
PPMLD	June 05, 2020	1.30	Market Linked	4-Mar-22	INE660C07750
PPMLD	June 19, 2020	7.75	Market Linked	21-Mar-22	INE660C07768
PPMLD	June 24, 2020	2.75	Market Linked	4-Jan-24	INE660C07776
PPMLD	June 26, 2020	4.10	Market Linked	21-Mar-22	INE660C07768
PPMLD	June 30, 2020	1.35	Market Linked	4-Jan-24	INE660C07776
PPMLD	July 02, 2020	0.60	Market Linked	21-Mar-22	INE660C07768
PPMLD	July 10, 2020	2.70	Market Linked	21-Mar-22	INE660C07768
PPMLD	July 17, 2020	4.25	Market Linked	21-Mar-22	INE660C07768
PPMLD	July 21, 2020	2.40	Market Linked	4-Jan-24	INE660C07776
PPMLD	July 24, 2020	3.75	Market Linked	21-Mar-22	INE660C07768
PPMLD	July 29, 2020	3.90	Market Linked	4-Jan-24	INE660C07776
PPMLD	August 03, 2020	3.04	Market Linked	21-Mar-22	INE660C07768
PPMLD	August 14, 2020	3.04	Market Linked	21-Mar-22	INE660C07768
PPMLD	August 19, 2020	0.65	Market Linked	21-Mar-22	INE660C07768
PPMLD	August 21, 2020	1.01	Market Linked	4-Jan-24	INE660C07776
PPMLD	August 28, 2020	8.55	Market Linked	21-Mar-22	INE660C07768
PPMLD	September 02, 2020	1.40	Market Linked	4-Jan-24	INE660C07776
PPMLD	September 04, 2020	4.25	Market Linked	21-Mar-22	INE660C07768
PPMLD	September 09, 2020	9.48	Market Linked	21-Mar-22	INE660C07768
PPMLD	September 16, 2020	4.30	Market Linked	4-Jan-24	INE660C07776
PPMLD	September 28, 2020	15.20	Market Linked	17-Oct-22	INE660C07784
PPMLD	October 01, 2020	15.92	Market Linked	4-Jan-24	INE660C07776
PPMLD	October 06, 2020	11.13	Market Linked	21-Mar-22	INE660C07768
PPMLD	October 16, 2020	15.05	Market Linked	17-Oct-22	INE660C07784



PPMLD	October 20, 2020	5.25	Market Linked	21-Mar-22	INE660C07768
PPMLD	October 29, 2020	6.40	Market Linked	17-Oct-22	INE660C07784
PPMLD	November 03, 2020	3.49	Market Linked	21-Mar-22	INE660C07768
PPMLD	November 18, 2020	6.95	Market Linked	17-Oct-22	INE660C07784
PPMLD	November 26, 2020	5.45	Market Linked	17-Oct-22	INE660C07784
PPMLD	January 22, 2021	12.57	Market Linked	17-Oct-22	INE660C07784
		<b>193.49</b>			

**(Rupees One Hundred and Ninety Three crore and forty nine lacs)**

## ANNEXURE II

### List of entities consolidated

Name of Entity	% ownership	% Extent of consolidation	Rationale for consolidation
Centrum Retail Services Limited (formerly Centrum Retail Financial Services Limited)	94.33%	94.33%	Subsidiaries
Centrum Broking Limited	51.01%	51.01%	Subsidiaries
Centrum Microcredit Limited (formerly Centrum Microcredit Private Limited)	100.00%	100.00%	Subsidiaries
Centrum Housing Finance Limited	56.39%	56.39%	Subsidiaries
Centrum International Services PTE Limited	100.00%	100.00%	Subsidiaries
Centrum Alternatives LLP	100.00%	100.00%	Subsidiaries
Centrum Capital International Limited (formerly Commonwealth Centrum Advisors Limited)	100.00%	100.00%	Subsidiaries
Centrum Capital Advisors Limited	100.00%	100.00%	Subsidiaries
Centrum Alternative Investment Managers Limited	100.00%	100.00%	Subsidiaries
CCAL Investment Management Limited	100.00%	100.00%	Subsidiaries
Centrum Financial Services Limited	100.00%	100.00%	Step down Subsidiaries
Centrum Wealth Management Limited	65.59%	65.59%	Step down Subsidiaries
Centrum Insurance Brokers Limited	100.00%	100.00%	Step down Subsidiaries
Centrum Investment Advisors Limited	100.00%	100.00%	Step down Subsidiaries
Centrum REMA LLP	88.00	88.00%	Joint Venture
Acorn Fund Consultants Private Limited	49.00%	49.00%	Associates



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