



RATING RATIONALE

8 July 2021

Hriday Fincorp Private Limited

Brickwork Ratings (BWR) reaffirms ratings for the Bank Loan Facilities/ Non-Convertible Debentures of Rs. 39.28 Crs. of Hriday Fincorp Private Limited

Particulars

Facilities / Instrument**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous	Present
Non-Convertible Debentures	22.00	22.00#	Long Term	BWR BB / Stable	BWR BB / Stable (Reaffirmation)
Fund Based - Bank Loan Rating	17.86	17.28			
Total	39.86	39.28	Rupees Thirty Nine Crores and Twenty Eight lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities/NCDs is provided in Annexures-I&II

Of the BWR rated NCDs of Rs. 22.00 Crs, Rs. 16.63 Crs are yet to be raised

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms 'BWR BB'/Stable for the non-convertible debentures and bank facilities of Hriday Fincorp Pvt Ltd (HFPL or the Company), as per the table above.

The rating continues to draw comfort from the experience of the promoters and stable financial risk profile. However, the rating is constrained by the small scale of operations with the portfolio's high geographical concentration risk, company's limited demonstration of capital raising ability and modest asset quality.

BWR believes HFPL's business risk profile will be maintained over the medium term. The Stable outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:-

Experience of promoters: The company is promoted by Mr. Vinod Jain and Mr. Rajesh Jain; they administer the company's overall management. Mr. Rajesh Jain has an entrepreneurial experience of more than 15 years in various sectors, including transport, finance and construction. He has been associated with HFPL since inception. Other companies under the management of the Jain family are SRG Housing Finance Ltd. (BWR BBB/Stable) and SRG Securities Finance Ltd. (BWR BB/Stable). The promoters and management team of HFPL are proficient in the banking and financial services sector and seasoned through various business cycles.



Stable financial risk profile: HFPL's capitalisation and earnings profile remained stable in FY 21, and it is expected to remain stable in the near term. The total capital adequacy ratio (CAR) improved to 34.24% as on 31 March 2021 from 25.17% as on 31 March 2020. The ratio is much higher than the minimum regulatory requirement of 15%. This was due to marginally improved profitability supporting the increase in the tangible net worth to Rs. 3.84 Crs as on 31 March 2021 from Rs. 3.29 Crs as on 31 March 2020 and the de-growth in overall portfolio from Rs.12.41 Crs in FY 20 to Rs. 10.53 Crs in FY 21; however, the absolute Tangible Net Worth remains small, and there is high dependence on external funds to fuel growth. The debt/equity ratio is moderate, but improved to 2.36 times as on 31 March 2021 from 3.26 times on 31 March 2020. The company reported a marginal increase in profits, with the reported profit after tax (PAT) of Rs. 0.68 Crs for FY21, vis-a-vis Rs. 0.64 Crs for FY20.

Credit Risks:-

Small scale of operations with portfolio's high geographical concentration risk: The company started its operations in fiscal year 2016-2017, and since then, growth in the AUM has been marginal. The AUM stood at Rs. 10.53 Crs as on 31 March 2021 vis a vis Rs. 10.49 Crs as on 31 March 2018. About 80% of the Company's AUM is concentrated in Rajasthan and the balance is in Gujarat and in Madhya Pradesh, due to which the company is exposed to geographical concentration risk. Overall, 69% of the AUM is concentrated in the urban areas, and 31% is in the rural areas; HFPL faces tough competition from NBFCs financing in urban areas, which limits the scope of the company. High exposure in urban areas also exposes the company to the risk of customers refinancing their loan to benefit from the lower lending rates offered by competitors.

Limited demonstration of capital raising ability: The company's tangible net worth was small, at Rs. 3.84 Crs, as on 31 March 2021 (Rs. 3.29 Crs as on 31 March 2020). Capitalisation remains low, and the company is yet to demonstrate its ability of raising equity to grow its business. The gearing level is moderate and stood at 2.36 times as on 31 March 2021. Any sharp increase in NPA levels could impact the capital cover for the asset side risks of the company, given the small net worth. The ability of the company to raise equity capital to cover asset side risks and also augment growth will remain a key rating monitorable. Additionally, the Company's future growth will be contingent on its ability to raise debt funding.

Modest asset quality: The asset quality of HFPL continues to remain modest, with gross non-performing asset (NPA) % and net NPA% of 6.16% and 4.58%, respectively, as on 31 March 2021, which decreased from 6.18% and 5.26%, respectively, as on 31 March 2020. There were no fresh slippages during the year and no write-offs. There were recoveries of Rs. 0.12 Cr. during the year. The company has demonstrated an average collection efficiency of 79% for FY 21. Going ahead, the ability of the company to manage and improve asset quality will be a key rating monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered HFPL's standalone performance. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

The company's ability to meaningfully grow its portfolio, manage asset quality and profitability while maintaining liquidity, improve its overall financial risk profile and raise capital will be key rating sensitivities.

Positive: The rating outlook may be revised to positive if there is a significant improvement in the Company's asset quality and profitability coupled with a growth in the portfolio, and the company is able to maintain liquidity and capitalisation.

Negative: The rating may be downgraded if there is a further deterioration in asset quality or weakening in the financial risk profile.

LIQUIDITY POSITION: ADEQUATE

As on 31 March 2021, the company had Rs. 0.48 Crs of cash and cash equivalents and Rs. 0.99 Crs of unutilised working capital bank limits. Further, the company has liquid investments of Rs. 1 Crs which augment the liquidity position of the company. Also, the company has fixed deposits parked with banks to the tune of Rs. 0.58 Crs; however these fixed deposits are lien marked against current company borrowings. The company has upcoming debt repayments of Rs. 3.35 Crs for the remainder of FY 22 which compares favorably with scheduled collections of Rs. 2.66 Crs.

COMPANY's / FIRM's PROFILE

Hriday Fincorp Pvt. Ltd. (HFPL) is a non-banking financial institution in Udaipur, Rajasthan, (erstwhile Satkar Finance Pvt Ltd); it got registered with the Reserve Bank of India in 2000. In 2012, the company diversified its commercial operations such that it offers a wide range of products. HFPL is primarily engaged in financing small and medium enterprises for working capital and growth, loans for purchase and construction of commercial property, vehicle financing, home purchase and home improvement loans, loans against property and gold loans, among others. The company started operations in FY17, and since then, it has grown gradually.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 20	FY 21
Result Type		Audited	Provisional
Portfolio	Rs. Crores	12.41	10.53
Net Interest Income	Rs. Crores	1.55	1.38
PAT	Rs. Crores	0.64	0.68
Tangible Net Worth	Rs. Crores	3.29	3.84
CRAR	%	25.17	34.24
Gross NPA	%	6.18	6.16
Net NPA	%	5.26	4.58



NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: CARE B(Stable)
Issuer Not Cooperating on June 02, 2021.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument	Current Rating (2021)			Chronology of Rating History for the past 3 years								
		Type	Amount (Rs. Crs.)	Rating	2020			2019			2018		
1	NCDs	Long Term	22.00	BWR BB / Stable	6.07.2020			18.06.2019			NA		
					Long Term	22.00	BWR BB / Stable	Long Term	22.00	BWR BB / Stable			
2	Bank Loan Facilities	Long Term	17.28	BWR BB / Stable	6.07.2020			18.06.2019					
					Long Term	17.86	BWR BB / Stable	Long Term	18.66	BWR BB / Stable			
								23.05.2019					
								Long Term	18.66	BWR BB / Stable			
Total			39.28		Rupees Thirty Nine Crores and Twenty Eight lakh Only								

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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Hriday Fincorp Private Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs. Crs.)	Total (Rs.Crs.)
1	State Bank of India	Cash Credit	1.00	NA	1.00
2		Term Loan o/s	1.28	NA	1.28
3	NA	Proposed Term Loan	15.00	NA	15.00
		TOTAL	17.28	NA	17.28

ANNEXURE II

INSTRUMENT (NCD) DETAILS*

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars\$
NCD	30-Nov-16	0.19	12.00%	30-Nov-21	1st Tranche F.Y. 16-17
NCD	10-Jan-17	0.27	12.00%	10-Jan-22	2nd tranche,F.Y-16-17
NCD	1-Feb-17	0.04	12.00%	1-Feb-22	3rd Tranche F.Y. 16-17
NCD	27-Feb-17	0.22	12.00%	27-Feb-22	4th Tranche F.Y. 16-17
NCD	31-Jul-18	0.76	10.00%	31-Jul-23	1st Tranche,F.Y-18-19
NCD	31-Aug-18	0.64	10.00%	31-Aug-23	2nd Tranche F.Y. 18-19
NCD	31-Oct-18	1.00	10.00%	31-Oct-23	3rd Tranche F.Y. 18-19
NCD	31-Jan-19	0.47	10.00%	31-Jan-24	4th Tranche F.Y. 18-19
NCD	28-Feb-19	0.58	10.00%	28-Aug-22	5th Tranche F.Y. 18-19
NCD	28-Mar-19	0.35	10.00%	28-Mar-24	6th Tranche F.Y. 18-19
NCD	1-May-19	0.13	10.00%	1-Nov-22	7th Tranche F.Y. 18-19
NCD	26-Jul-19	0.07	10.00%	26-Jul-24	1st Tranche F.Y. 19-20
NCD	23-Aug-19	0.08	10.00%	22-Aug-24	2nd Tranche F.Y. 19-20
NCD	18-Dec-19	0.22	10.00%	18-Sep-23	3rd Tranche F.Y. 19-20
NCD	29-Jan-20	0.21	10.00%	29-Jan-25	4th Tranche F.Y. 19-20
NCD	26-Feb-20	0.11	10.00%	26-Feb-23	5th Tranche F.Y. 19-20
NCD	21-Mar-20	0.06	10.00%	21-Jun-23	6th Tranche F.Y. 19-20
	Total	5.37			

***Of the rated NCDs of Rs. 22 Crs, NCDs of Rs. 16.63 Crs are yet to be raised**

\$ As confirmed by the Company and the Debenture Trustee, the NCDs are in physical form and no ISIN numbers have been issued. The above issue details tranche wise have been shared by the Debenture Trustee.



For print and digital media

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