



## RATING RATIONALE

16 Dec 2020

Nalin Lease Finance Ltd.

**Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of Nalin Lease Finance Ltd.**

### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2019)	Present
Fund based	7.50	7.50	Long Term	BWR BB Stable	BWR BB Stable Reaffirmed
<b>Total</b>	<b>7.50</b>	<b>7.50</b>	<b>INR Seven Crores and Fifty Lakhs Only</b>		

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

\*\* Details of Bank facilities is provided in Annexure-I

### RATING ACTION / OUTLOOK

BWR has essentially relied on Audited financials upto FY20, provisional financial for 6 months till Sep 20, projected financials till FY22, publicly available information and information & clarifications provided by management.

The rating draws comfort from experienced promoters and above average asset quality. However, the rating is constrained by modest scale of operation with limited geographical diversity in the region of operation.

BWR believes that Nalin Lease Finance Ltd 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:

- **Experienced Promoters:** The promoter of NLFL, Mr. Dilip Gandhi has more than two decade's experience in operating Leasing and consultancy business by Nalin Group. Since 1996, the Company has established a significant presence in Sabarkantha, Arvalli, Mehsana & Other near Districts in the segment of gold loans and two wheelers vehicle loans.



- **Asset Quality:** The scale of AUM is small and asset quality is strong as reflected in low NNPA's at 0.72% as on March 31, 2019, however, the same have deteriorated to 7.18% as on 31st March 2020 due to delay in auction in March 2020 because of COVID 19. However the same were auctioned subsequently and were removed from NPA list. The Company has an experienced recovery team for follow-up and collection of NPAs. The Company's amalgamation with small sized four group companies will be having a significant impact in near term.

#### **Credit Risks:**

- **Small scale of operations :** NLFL's scale of operations remain small with portfolio size of Rs. 20.09 crore as on 31st March, 2019 vis-a-vis Rs. 22.95 crore as on 31st March 2019.
- **Limited geographical reach:** The Company currently operates from a single branch in Himmatnagar and caters to Himmatnagar and surrounding districts like Arvalli, Mehsana, etc. which makes the Company's operation highly concentrated at limited geographic level.

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

**For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).**

#### **RATING SENSITIVITIES**

##### **Positive:**

- **Asset quality improvement with Low NPA and increased in loan portfolio.**

##### **Negative:**

- **Decrease in loan portfolio, interest income, with increase in NPA, Declining asset quality .**

#### **LIQUIDITY POSITION : Adequate**

Liquidity position of the company is adequate as evident from low utilization of CC and healthy net cash accruals. Net interest margins remained comfortable at 18.80% in FY20. The net cash accruals for FY21 shall be sufficient to repay the maturing debt.

#### **COMPANY PROFILE**

Nalin Lease Finance Limited was established on 11.10.1990 & categorized as a non-government public limited company. It was listed on the Bombay Stock Exchange (BSE) in 1995. The company provides finance for new two wheeler in the Sabarkantha, Arvalli, Mehsana & Other near Districts. it's also engaged in gold loan business activities against gold ornaments in sabarkantha district, which contributes 56% of the current loan portfolio.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Interest Income	Rs. Crs.	4.22	4.61
PAT	Rs. Crs.	1.72	1.99
Tangible Net Worth	Rs. Crs.	17.90	19.89
Gross AUM	Rs. Crs.	22.95	20.86
Net Interest Margin	%	14.45	18.80
Net Interest Spread	%	3.68	6.50

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL**

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

**RATING HISTORY (INCLUDING WITHDRAWAL AND SUSPENSION)**

Instrument / Facilities	Current Rating			Rating History <sup>^</sup>		
	Tenure	Amount (₹ Cr)	Rating	19 Jul, 2019	2018	2017
Fund Based	Long Term	7.50	BWR BB Stable Reaffirmed	BWR BB Stable	-	-
Total		7.50	INR Seven Crores and Fifty Lakhs Only			

<sup>^</sup>Rating not reviewed advisory issued on 20 Jul 2020.

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

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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Nalin Lease Finance Ltd.

#### ANNEXURE I

##### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	Bank of Baroda	Fund Based: Cash Credit	7.50	-	7.50
<b>TOTAL</b>					<b>7.50</b>

**Total Rupees Seven Crores and Fifty Lakhs only.**



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