

RATING RATIONALE

25 July 2022

Capri Global Capital Limited

Brickwork Ratings reaffirms ratings at ‘BWR AA-’ for the NCDs and Bank Loan Facilities with change in outlook from Negative to Stable of Capri Global Capital Limited

Particulars:

Facility / Instrument	Amount Rated (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (30 June 2021)	Present
Fund Based- Term Loans	4500	4500	Long Term	BWR AA- / Negative (Reaffirmed)	BWR AA- / Stable (reaffirmed with a Change in outlook from Negative to Stable)
Fund Based- Cash Credit	120	120			
Non Convertible Debentures	50	33.33			
Total	4670	4653.33		Rupees Four Thousand Six Hundred Fifty Three Crores and Thirty Three lakhs only.	

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

** Details of NCDs provided in Annexures- I & II

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) reaffirms the rating of various Bank loan facilities and Non Convertible Debentures of Capri Global Capital Limited (CGCL of the Company) as tabulated above.

The reaffirmation of the rating continues to factor in CGCL’s experienced management team, healthy capitalisation, substantial growth in loan book with diversified portfolio, comfortable profitability and adequate liquidity position on a consolidated basis. The rating is, however, constrained by the moderate scale of operations with geographic concentration, moderate asset quality & comparatively low seasoning of Housing Finance portfolio through its housing finance subsidiary, Capri Global Housing Finance Limited (CGHFL).

Though, asset quality concern due to pandemic is gradually subsiding with improvement in consolidated Gross NPA ratio from 3.3% in FY21 to 2.4% in FY22. GNPA from the MSME segment has also improved from over 5.5% in FY21 to 4.0% in FY22, and further moderation is expected. Collection efficiency improved with 99% for FY22, and its continued expectation to remain improved over the near term.

The revision in the outlook from “Negative” to “Stable” factors into improving asset quality albeit remains monitorable (MSME GNPA was 4.0% in FY 22 as against 5.50% in FY 21), granular retail portfolio with average MSME ticket size of Rs 0.17 Crs, Housing Finance:



Rs 0.11 Crs and Construction finance: Rs 8.0 Crs. While the COVID19 pandemic continues, the rating team notes the higher disbursements of Rs.2840 Crs (FY21: Rs.1498 Crs) supporting the growth in AUM book to Rs. 6,632 Crs (FY21: Rs.4841 Crs), improved earnings and profitability, comfortable capitalisation & liquidity buffers, are the parameters which are expected to remain stable over the near to medium term. 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 monitorable.

The analytical approach followed for the rating exercise is based on the consolidated financials of the group, the strength and continued support of the promoters and management team at the group level, and synergies of business derived by the group entities. BWR has rated two group entities of Capri Global viz. Capri Global Capital Ltd (CGCL) and Capri Global Housing Finance Ltd (CGHFL), a 100% subsidiary of CGCL.

KEY RATING DRIVERS

Credit Strengths:-

Healthy capitalisation coupled with comfortable Gearing levels.

CGCL is a non-deposit taking systemically important NBFC, promoted by Mr. Rajesh Sharma (Managing Director) and listed on BSE & NSE. The key shareholders comprises the first generation promoter Mr Rajesh Sharma and his associates continue to 74% stake in the company, over the last 10 years. The balance shareholding is held by domestic institutional investors (7%) and public (19%), as of 31 March 2022.

The company is comfortably capitalized with continuous improvement in the net worth. Tangible Net worth almost doubled in 6 years i.e. from Rs 1099 Crs as on 31 March 2016 to Rs 1917 Crs as on 31 March 2022 (PY Rs 1715 Crs). CGCL has also initiated the process of raising funds by way of rights issue to the tune of Rs.1,200 Crs in the current financial year, which is expected to improve the overall capital structure going forward.

The Gearing was at 2.65x as on 31 March 2022 (PY:2.31x) on account of increase in the borrowing from Rs 2836 Crs to Rs 4054 Crs. However, going forward, with the proposed right issue of Rs 1200 Crs, the overall capital structure is expected to improve.

With the improvement in standalone net worth from Rs 1627 Crs as on 31 March 2021 to Rs 1789 Crs as on 31 March 2022, standalone CRAR of CGCL was at a comfortable level of 29.40% in FY 22 (PY 35.46%) which is well above the regulatory requirements.

BWR believes the company is well-capitalized to pursue growth and cover for any asset side risks, including those arising due to the COVID-19 crisis, over the medium term and with the right issue, the capitalization shall become more strong and will help the Company in reaching the growth targets in term of AUM and disbursement.

Substantial growth in AUM with diversified portfolio:

CGCL has presence in diversified segments like MSME, Construction Finance, Affordable Housing & Indirect Lending segments. It has a workforce of over 3200 employees with a branch



presence at 117 locations in 11 states/ union territories majorly across North and West India.

The company has adopted a hub & spoke model to enable penetration in under-served markets and benefit from economies of scale and operational efficiency.

CGCL has a wholly owned subsidiary, Capri Global Housing Finance Limited (CGHFL) which is into providing housing finance loans.

The consolidated AUM reported a robust growth of 36.80% Y-o-Y, to Rs 6632 Crs as on March 31, 2022, from Rs 4,848 Crs as on the previous year-end with a CAGR of 24% from FY 2018. 75%+ the consolidated book consists of MSME and Affordable Housing Finance with MSME being 48%. The portfolio is well diversified with 48% MSME, 26.30% Housing Finance, 19.10% Construction Finance, 4.70% Indirect lending and remaining 1.70% as MSME- Direct Assignment. MSME book grew by 27% Y-o-Y, to Rs 3191 Crs (FY21: Rs. 2511 Crs), whereas the housing finance book grew by 51% Y-o-Y, to Rs 1,747 Crs as on March 31, 2022 (FY21: Rs.1155 Crs). In FY 22, the Company had entered into Direct Assignments (co lending portfolio) for MSME portfolio with SBI and Union Bank of India and was at Rs 115 Crs as on 31 March 2022. During FY 22, the Company has commenced third party distribution of new car loan products of Union bank of India, Bank of Baroda, Bank of India, HDFC Bank, IOB and Yes Bank. The Company had opened 5 exclusive branches dedicated to the car loan distribution business. at Chandigarh, Lucknow, Kolkata, Surat and Bengaluru. The Company is also planning to venture into the Gold Loan segment and targets to open gold loan exclusive branches with a target of reaching 1500 locations over the next 5 years. The proportion of loans from construction finance is decreasing (19% of AUM) and increasing the book from Housing Finance (26% of AUM), for better asset quality over the medium term.

The company is focused on increasing its presence in the MSME segment and it accounts for 50% of the consolidated AUM as on 31 March 2022 and expects to increase its Gold Loan and Car loan distribution segment, thereby reducing the portfolio risk.

Going forward, Company's ability to improve the portfolio with deeper penetration in the existing geographies and foray into new regions shall be a key monitorable.

Healthy financial risk profile:

Total consolidated income from operations had improved by 31.66% i.e from Rs 736 Crs in FY 20-21 to Rs 969 Crs in FY 21-22 coupled with improvement in consolidated Net Interest Income by 32% i.e. from Rs 385 Crs in FY21 to Rs 509 Crs in FY22. Consolidated PAT has been continuously improving and reported Y-OY growth of 15.82% over previous year and CAGR of 33% from FY 18 to FY 22 on account of Car loan commission of Rs 47 Crs in FY 2021-22. With the reduction in borrowing cost from 8.50% in FY 21 to 7.74% in FY 22, NIM improved from 8.70% in FY21 to 9.70% in FY22. ROE had improved from 10.87% to 11.27%.

The Company had 117 branches as at March 22 including 32 new branches opened during FY 22. Branch network includes 5 exclusive branches dedicated to car loan distribution business, one each at Chandigarh, Lucknow, Kolkata, Surat, and Bengaluru. To expand the gold loan



business, the Company had added 400 staff during FY 22. Employee count increased from 2494 as at March 21 to 3202 as at March 2022. All this led to increase in the operating cost to avg assets to 3.75% in FY 21-22 as against 2.86% in FY 20-21.

Return on total assets had reduced from 3.46% to 3.16% on account of high credit cost in terms of provision and write offs (Credit costs increased from Rs 61 Crs to Rs 106 Crs).

Going forward, the company's ability to profitably grow the loan book while maintaining asset quality will be a key monitorable.

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:-

Improving asset quality albeit remains monitorable:

Consolidated GNPA level had improved from 3.30% as on 31 March 2021 to 2.40% as on 31 March 2022. The GNPA level was at Rs 156 Crs as on 31 March 2022 (PY Rs 161 Crs). Out of the total GNPA of Rs 156 Crs, GNPA from MSME was 81% (Rs 127 Crs), Housing Finance 17% Rs 26 Crs), other secured lending 1.50% (Rs 2.32 Crs) with nil GNPA under Construction Finance segment. As on 31 March 2021, 84.21% of the CGCL portfolio was with no overdues which has improved to 86.46% on account of improvement in collection efficiency. However there was an increase in the portfolio with harder buckets of 31-90 days past due from 6.69% in FY21 to 7.36% in FY22

The GNPA level in MSME segment had reduced from 5.50% as on 31 March 2021 to 4.00% (March 2022) and NNPA level at 1.23% (March 22) as against 1.90% (March 2021) with improvement in PCR from 28.41% to 31.00%.

Construction finance which contributed 19% of the total AUM as on 31 March 2022 had nil NPA's as on 31 March 2022 as against 0.20% as on 31 March 2021.

The Company started indirect secured lending i.e. Financing to other NBFCs engaged in MSME lending & Microfinance, Fintech based NBFCs in 2018 with average tenor of 2-4 years had GNPA level at 0.74% and NNPA at 0.15% as on 31 March 2022 as against nil NPA in FY 2021.

There is an increase in the GNPA levels in absolute terms under CGHFL i.e. from Rs 20.05 Crs in FY 20-21 to Rs 26.19 Crs in FY 21-22. However the GNPA (%) had reduced from 1.80% as on 31 March 2021 to 1.50% as on 31 March 2022 on account of improved collection efficiency.



The Company has a dedicated in-house collection team for managing soft and hard delinquencies and a dedicated litigation team to ensure timely initiation of legal actions as applicable under NI act and SARFAESI act. 100% of MSME and Housing finance portfolio loans are fully secured by charge on Residential / Commercial properties which shall ensure minimal credit loss. In spite of the portfolio being fully secured, the company has followed a conservative approach to keep adequate cushion against potential losses, making additional provisions. The Provision Coverage ratio for stage 3 assets was 30.77% in FY22 as against 27.90% in FY21, the overall provisions (Stage 1+2+3) was 2.65% in FY22 as against 2.43% in FY21. The Credit Cost (Write offs + Provisions) increased to 1.84% in FY 22 as against 1.37% in FY21 and 0.87% in FY20. The Company had written off Rs 43.90 Crs of assets in FY 21-22 as against Rs 9.07 Crs in FY 20-21. The write off includes Rs 17.67 Crs in MSME segment, Rs 16.35 Crs from Construction Finance and Rs 9.86 Crs from Housing Finance. Restructured loans stood at Rs 216 Crs or 4.53% of AUM, out of which Rs.194 Crs pertained to the MSME portfolio (comprising 6.1% of MSME book) and Rs 13 Crs belongs to Housing Finance (0.80% of Housing AUM). There are no restructured loans in the construction finance book.

Going forward, the Company's ability to restrict the GNPA under MSME and Housing Finance portfolio while improving the portfolio will be a key monitorable.

Exposure to relatively vulnerable borrower profile:

Company's portfolio vulnerability given its target borrower profile which consists of lower-medium income groups from tier 2, tier 3 cities who are relatively vulnerable to economic cycles and have limited income buffers to absorb income shocks. Nevertheless, losses on default are expected to be limited, considering the secured nature of the portfolio with moderate loan-to-value (LTV) ratios and the assets being largely self occupied residential properties along with the low-ticket size. The company has a robust credit appraisal and monitoring system, backed by strong in-house legal and technical teams for collections and recovery.

BWR draws comfort from Company's demonstrated ability to control the retail asset quality despite the challenging operating environment during the past few years

The Company continues to maintain granular portfolio across MSME and Housing Finance with average ticket size of MSME at Rs 0.17 Crs, Housing Finance Rs 0.11 Crs while the Construction Finance avg ticket size at Rs 8 Crs as on 31 March 2022. While the Company expects Construction Finance portfolio to be granular and under 20% of AUM.

Moderate scale of operations with low/moderate seasoning of portfolio coupled with Geographical Concentration:

The company's scale of operations is moderate with an AUM of Rs 6632 Crs as on 31 March 2022 with consolidated disbursement of 1300 Crs in last 2 years i.e. FY 2020-21 & FY 2021-22.

The group started Construction Finance lending in FY12 by disbursing small ticket size construction loans to real estate players. As on 31 March 2022, average tenor of the loan is 3-5



years with average ticket size of Rs 8.00 Crs as against Rs 10 Crs in FY 17 & FY 18. Presently the Company had live financed projects of 151 (PY 126). The Company had made disbursement of Rs 925 Crs under Construction Finance as against the total AUM of Rs 1266 Crs.

The Company started Housing Finance in FY 2016-17 with a focus on providing affordable housing loans to low-middle income groups with AUM of Rs 7 Crs and had reached AUM of Rs 1747 Crs as on 31 March 2022 with average tenure of 8 years. The Company had made significant disbursement of Rs 784 Crs in FY 2021-22 which is untested and implies low seasoning of the portfolio considering the high tenor of the loan.

The Company started financing to MSME in FY 2013 has moderate seasoning with average tenor of loans being 4-6 years with average ticket size of 0.17 Crs. The Company made disbursement of Rs 1800 Crs in last 2 years and the AUM as on 31 March 2022 was Rs 3191 Crs.

The company operates in 11 States/Union Territories in India, majorly across North and West India. The MSME portfolio is concentrated in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan, and Delhi NCR contributing to about 85% of the MSME portfolio as on 31 March 2022. The housing finance portfolio is spread across Maharashtra (30%), Madhya Pradesh (26%), Gujarat (22%), Delhi, NCR and Rajasthan (11% each). In FY 2021-22, housing finance portfolio, there has been an increase in exposure in Madhya Pradesh (27% to 35%) and a proportionate decrease in exposures in Maharashtra & Delhi NCR. During FY 22, the Company had commenced operations in Uttar Pradesh with exposure of 5% of Housing Finance portfolio. The company's ability to steadily increase its loan portfolio, along with geographical diversification, is a key monitorable. Going forward, the Company's ability to control the asset quality in the Housing Finance portfolio shall remain key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Aadhar Housing Finance Limited. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

For arriving at its ratings, BWR has taken a consolidated view on Capri Global Capital Limited 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).

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, in spite of growth in AUM or the owned loan book portfolio.

LIQUIDITY POSITION: ADEQUATE

As on 30 June 2022, the company had adequate liquidity to meet its repayment obligations. At a consolidated level, the company has liquidity of Rs.1178 Crs including liquid investment of Rs 555 Crs, Cash and Bank balance of Rs 123 Crs and undrawn sanctioned limits of Rs 500 Crs against this it has consolidated debt obligation of Rs 1360 Crs for next 1 years i.e. from July 2022 to June 2023. The company's average monthly collections for FY22 were at Rs.250 Crs i.e ~ Rs. 3000 Crs on annual basis, which seems adequate to meet its overall debt obligations.

On a standalone basis, the company has principal and interest repayments of Rs 938 Crs for next 1 year, against which it has liquidity of Rs 748 Crs as of 30 June 2022 and has average monthly collections of ~Rs.250 Crs which seems adequate to meet its debt obligations on standalone basis, as well

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 affordable housing loans to low-medium income group. The company is promoted by Mr. Rajesh Sharma, who is the company's Managing Director. The promoter and promoter group held a 74.72% stake in CGCL as on 31 March 2022. CGCL is listed on the BSE and NSE.

KEY FINANCIAL INDICATORS (CGCL Consolidated)

Key Parameters	Units	FY21	FY22
Result Type		Audited	Audited
Asset under Management	Rs. in Crs.	4848	6632
Total Income	Rs. in Crs.	736	969
Profit after Tax	Rs. in Crs.	177	205
Tangible net worth	Rs. in Crs.	1715	1917
Gearing	Times	2.31x	2.65x
Gross NPA	%	3.32%	2.40%
Net NPA	%	2.46%	1.66%
CRAR (standalone)	%	35.46%	29.39%
ROTA	%	3.46%	3.16%

KEY FINANCIAL INDICATORS (CGCL Standalone)

Key Parameters	Units	FY21	FY22
Result Type		Audited	Audited
Asset under Management	Rs. in Crs.	3693	4885
Total Income	Rs. in Crs.	574	763
Profit after Tax	Rs. in Crs.	144	162
Tangible net worth	Rs. in Crs.	1627	1789
Gearing	Times	1.71x	1.98x
Gross NPA	%	3.81%	2.72%
Net NPA	%	2.78%	1.91%
CRAR	%	35.46%	29.39%

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

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

Sr. No.	Name of Facility/ Instrument	Current Rating (2022)			Rating History for the past 3 years						
		Type	Amount (Rs. Crs)	Rating	2021	2020			2019		
1	Term Loans	Long Term	4,500	BWR AA-/ Stable	Rs 4500 Crs BWR AA-/Negative (30.06.2021)	30.06.2020			9.07.2019		
						Long Term	4,500	BWR AA-/ Negative	Long Term	4,500	BWR AA-/ Stable
2	Cash Credit	Long Term	120	BWR AA-/ Stable	Rs 120 Crs BWR AA-/Negative (30.06.2021)	30.06.2020			9.07.2019		
						Long Term	120	BWR AA-/ Negative	Long Term	120	BWR AA-/ Stable
3	NCDs	Long Term	33.33	BWR AA-/ Stable	Rs 50 Crs BWR AA-/Negative (30.06.2021)	30.06.2020			NA		
						Long Term	50	BWR AA-/ Negative			
	Total		4,653.33			Rupees Four Thousand Six Hundred Fifty Three Crores and Thirty Three lakhs only.					



COMPLEXITY LEVELS OF THE INSTRUMENTS

NCD: Simple

Bank Loans: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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Capri Global Capital Limited

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	638.57	-	638.57
2	State Bank of India	Term Loan	706.49	-	706.49
3	YES Bank Limited	Term Loan	78.13	-	78.13
4	Bank of Baroda	Term Loan	25.00	-	25.00
5	SIDBI	Term Loan	47.50	-	47.50
6	Indian Bank	Term Loan	356.98	-	356.98
7	Bank of Maharashtra	Term Loan	218.76	-	218.76
8	Canara Bank	Term Loan	241.03	-	241.03
9	UCO Bank	Term Loan	163.56	-	163.56
10	Punjab & Sind Bank	Term Loan	47.93	-	47.93
11	Bank of India	Term Loan	135.94	-	135.94
12	Karnataka Bank Limited	Term Loan	2.72	-	2.72
13	HDFC Bank Limited	Term Loan	15.00	-	15.00
14	Indian Overseas Bank	Term Loan	81.84	-	81.84
15	NABARD	Term Loan	360.00	-	360.00
16	Nabkisan	Term Loan	41.25	-	41.25
17	Dhanlaxmi Bank	Term Loan	15.00	-	15.00
	Existing Term Loans		3175.70	-	3175.70
	Proposed Term Loans		1324.30	-	1324.30
	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				

@Outstanding as on 31 May 2022

ANNEXURE II - NCD DETAILS

Sr. No.	Instrument	Issue Date	Amount @	Coupon Rate	Maturity Date	ISIN Nos
1	Secured NCD	23/07/2020	33.33	8.80%	23/07/2023	INE180C07114
	TOTAL		33.33			

@Outstanding as on 30 June 2022

Rupees Thirty Three Crores and Thirty three lakhs only

ANNEXURE III List of entities consolidated:

Capri Global Housing Finance Limited -100% subsidiary of CGCL

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