

RATING RATIONALE

31 Oct 2019

Indiabulls Consumer Finance Limited

Brickwork Ratings revises the long term ratings for the Secured NCDs and Bank loan facilities aggregating to ₹ 7,000 Crores and reaffirms the short term rating Crores of Rs 2,000 Crs of Indiabulls Consumer Finance Ltd (hereafter referred to as “ICFL” or the “Company”)

Particulars:

Instrument/ Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2019)	Present
Secured NCD	3,000	3,000	Long Term	BWR AA+ (Stable)	BWR AA (Stable)
Bank Loan - Fund Based	4,000	4,000			
Commercial Paper Programme	2,000	2,000	Short Term	BWR A1+	BWR A1+
Total	9,000	9,000	INR Nine Thousand Crores Only		

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

** ISIN wise details of NCDs is provided in Annexure-I and Bank wise facility details are provided in Annexure II

Rating Action/Outlook:

Rating revision is on account of challenging operating environment for NBFCs impacting the ease of raising funds due to the risk aversion among lenders and investors, lower than expected growth in AUM, increasing cost of borrowings adding pressure on profitability margins and moderation of asset quality.

However, the rating continues to derive comfort from experienced promoters and professional management, comfortable capitalisation, adequate liquidity and moderate financial profile.



The outlook continues to be “Stable” as BWR believes that the business risk profile of ICFL will be maintained over the medium term given its established track record, strong parentage and experience of the group in financial lending industry.

Key Rating Drivers

Credit Strengths:

- **Ownership and Management:** ICFL is a wholly owned subsidiary of Indiabulls Ventures Limited (IVL) which provides financial strength & flexibility to the company. IVL, in turn, has 36.57% equity stake held by Mr. Sameer Gehlaut (promoter of Indiabulls Group) and his associate companies. Being part of Indiabulls group, ICFL receives strong support and shares the “Indiabulls” brand name as well as derives operational and managerial synergies and financial flexibility in the form of regular capital support.
- **Robust Growth in Loan Portfolio led by the technology initiative:** The Company has started its focus on Personal and SME lending business since April 2017 and has aggressively grown its loan book from Rs 92 crs in FY17 to Rs. 4017 Crores in FY18 to Rs 11,228 Crs in FY19. As on 30 Jun 2019, the outstanding loan book stood at Rs 13,307 Crs. The company further expects the loan book to grow significantly over the next two years. The growth in the loan portfolio is led by “Dhani” - a real time app, which is a unique tool and provides end-to-end personal loan fulfillment. Such technology based approaches are popular with aspirational borrowers and also brings down operational costs to the company.
- **Healthy Capitalization :** The parent company has continuously infused capital in the last 3 years resulting in a healthy CRAR of 37.70% as on 31 Mar 2019 against the minimum regulatory requirement of 15%. The promoters plan to infuse further capital which will help the company to maintain adequate CRAR levels for next 2-3 years to support the aggressive growth plans. The company has also undertaken to keep their Net Debt : Tangible Networth ratio at 3x or better and as on 31 Mar 2019, Net gearing stood at 1.44x
- **Comfortable Liquidity:** The ALM profile as on 30 June 2019 has no negative cumulative mismatches across various buckets. ICFL liquidity profile is comfortable given the shorter tenure of the loans and the borrowing profile of the company is long

term in nature. As on 30 June 2019, ICFL had Cash balance and liquid investments of Rs 834 Crs.

Credit Risks:

- **Unseasoned Portfolio and unsecured nature of portfolio :** Even though the company was incorporated in 1994, the commercial operations were started from Q1FY18 and has seen a robust growth in the loan portfolio and as on 30 June 2019 it has reported GNPA & NNPA of 0.92% and 0.22% when compared to 0.75% and 0.24% for FY19 respectively. The portfolio is unseasoned and has to go through business cycles to establish credit underwriting standards and collection efficiency. Further, currently, ~54% of the portfolio comprising of Personal Loans and SME loans which are unsecured in nature and Loss Given Default could be higher. The LAP segment has shown increasing asset quality challenges in the NBFCs maintaining healthy asset quality as the portfolio gets seasoned will remain a key monitorable.
- **Declining profitability:** Due to increased cost of borrowing and operating expenses, the profitability of the company has declined with ROA and ROE reducing to 4.45% and 13.22% as on 31 Mar 2019 when compared to ROA & ROE of 5.94% and 17.92% respectively. It has further reduced to 2.60% and 7.32% respectively in Q1FY20.
- **Lower than expected growth:** Even Though the company has witnessed robust growth in its AUM in the last 3 years, the company was not able to achieve projected AUM of Rs 12,000 Crs for FY19 against which it has achieved an AUM of Rs 11,228 Crs. This was mainly on account of funding challenges faced by NBFCs in the current environment. For FY20, the company had projected an AUM of 20,000 Crs against which it has achieved an AUM of 13,307 Crs as on 30 June 2019.
- **Inherent Risks:** Currently, NBFC sector in India is going through liquidity challenges as lenders/investors are not keen to take additional exposure resulting in increased borrowing costs and potential ALM mismatches in the short term. Given the situation, maintaining adequate liquidity and sustaining growth could be a challenge. Also being in the competitive landscape of NBFCs, the company is exposed to inherent risks associated with the industry like high competition and regulatory responsibilities.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financial profile of Indiabulls Consumer Finance Ltd (ICFL) and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Company's ability to achieve the projected growth with maintaining healthy asset quality as the portfolio gets seasoned and improving its profitability will be key rating monitorables.

Negative: Any further deterioration/moderation of asset quality and profitability resulting in liquidity stress will be key rating sensitivities.

LIQUIDITY POSITION: Adequate

The ALM profile as on 30 June 2019 has no negative cumulative mismatches across various buckets. ICFL liquidity profile is comfortable given the shorter tenure of the loans and the borrowing profile of the company is long term in nature. As on 30 June 2019, ICFL had Cash balance and liquid investments of Rs 834 Crs.

COMPANY PROFILE

Indiabulls Consumer Finance Limited, (ICFL) (erstwhile known as IVL Finance Ltd), is a registered non deposit taking systemically important Non- Banking Finance Company (NBFC-ND-SI). The company was incorporated on October 27, 1994 and is a wholly owned subsidiary of Indiabulls Ventures Limited (IVL) which is rated at BWR "AA- (Stable)/A1+". Mr Sameer Gehlaut, promoter of Indiabulls group of companies is a common shareholder (through associate companies) in all the Group companies which are into Housing finance, Real Estate development, brokerage, etc., and NBFC business fits into their overall business strategy. ICFL started its lending business and operations only from April 2017 after raising substantial capital. The company changed its name from "IVL Finance Ltd" to "Indiabulls Consumer Finance Ltd" w.e.f. 18 September 2018.

ICFL primarily focuses on Personal Loans (PL) with ticket size ranging between Rs 20,000 to Rs 3 Lakh constituting to ~39% of total loan portfolio, Unsecured SME Loans with avg ticket size



ranging from Rs 10 lakhs to Rs 25 lakhs constituting to ~15% of the portfolio and Secured SME loans with avg ticket size ranging between Rs 1.5 Crs to Rs 5 Crs constituting to ~46% of the portfolio. The company has adopted “Dhani” , an app based lending technology. ICFL’s Asset under Management (AUM) as on 30 June 2019 stood at Rs. 13,307 Crores. The Board of Directors consists of seven Directors and an experienced management team headed by the Chief Executive Officer (CEO) Mr. Pinank Shah.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2017 (IGAAP)	2018	2019
Result Type		Audited	Audited	Audited
AUM	Rs in Crs	92	4,017	11,228
Net Interest Income	Rs in Crs	8	210	908
PAT	Rs in Crs	7	170	400
Tangible Net worth	Rs in Crs	209	1,657	4,314
Total CRAR	%	90.04	33.52	37.70
GNPA	%	Nil	0.05	0.75
NNPA	%	Nil	0.01	0.24

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY

S.No	Instrument/ Facility	Current Rating (Oct, 2019)			Rating History				
		Type	Amount (₹ Crs)	Rating	Mar, 2019	Oct 2018	Sept 2018	May 2018	Sept 2017

1	Secured NCD - Public Issue	Long Term	3000	BWR AA (Stable)	BWR AA+ (Stable)	BWR AA+ (Stable)	N.A.	N.A.	N.A.
2	Bank Loan Facilities	Long Term	4000	BWR AA (Stable)			BWR AA+ (Stable)	N.A.	N.A.
3	Commercial Paper Programme	Short Term	2000	BWR A1+	BWR A1+	BWR A1+	BWR A1+	BWR A1+	
Total			9000	₹ Nine Thousand Crores Only					

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Financial Institutions](#)

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Indiabulls Consumer Finance Ltd

ANNEXURE I

INSTRUMENT (NCD) DETAILS

Instrument	Issue date	Amount (Rs in Crs)	Coupon Rate	Maturity date	ISIN
NCD	08-Mar-2019	377.47	10.75%	08-May-2021	INE614X07027
	08-Mar-2019	24.66	Zero Coupon	08-May-2021	INE614X07035
	08-Mar-2019	32.5	10.40%	08-Mar-2022	INE614X07043
	08-Mar-2019	75.54	10.90%	08-May-2022	INE614X07050
	08-Mar-2019	23.58	Zero Coupon	08-May-2022	INE614X07068
	08-Mar-2019	47.01	10.50%	08-Mar-2024	INE614X07076
	08-Mar-2019	26.07	11%	08-Mar-2024	INE614X07084
	08-Mar-2019	19.38	Zero Coupon	08-Mar-2024	INE614X07092
	27-Jun-2019	12.42	Zero Coupon	31-Jul-2020	INE614X07126
	27-Jun-2019	7.18	10.27%	27-Jun-2021	INE614X07134
	27-Jun-2019	3.48	Zero Coupon	27-Jun-2021	INE614X07142
	27-Jun-2019	12.37	9.95%	27-Jun-2022	INE614X07159
	27-Jun-2019	12.21	10.41%	27-Jun-2022	INE614X07167
	27-Jun-2019	4.28	Zero Coupon	27-Jun-2022	INE614X07175
	27-Jun-2019	15.64	10.13%	27-Jun-2024	INE614X07183
	27-Jun-2019	12.8	10.61%	27-Jun-2024	INE614X07191
	27-Jun-2019	4.39	Zero Coupon	27-Jun-2024	INE614X07209
	06-Sep-2019	59.03	Zero Coupon	10-Oct-2020	INE614X07217
	06-Sep-2019	1.21	10.12%	06-Sep-2021	INE614X07225
	06-Sep-2019	0.48	Zero Coupon	06-Sep-2021	INE614X07233
	06-Sep-2019	2.97	9.81%	06-Sep-2022	INE614X07241
	06-Sep-2019	2.25	10.27%	06-Sep-2022	INE614X07258
	06-Sep-2019	0.86	Zero Coupon	06-Sep-2022	INE614X07266
	06-Sep-2019	3.79	10.04%	06-Sep-2024	INE614X07274
	06-Sep-2019	11.81	10.52%	06-Sep-2024	INE614X07282
	06-Sep-2019	1.04	Zero Coupon	06-Sep-2024	INE614X07290

Total: INR Seven Hundred Ninety Four Crores and Forty Two Lakhs Only

Indiabulls Consumer Finance Ltd

ANNEXURE II

DETAILS of Bank Facilities rated by BWR

Sl.no	Name of the Bank	Type of Facility	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
1	Indian Overseas Bank	Term Loan	300	-	300
2	IndusInd Bank		450	-	450
3	Punjab & Synd Bank		500	-	500
4	RBL Bank		80.77	-	80.77
5	RBL Bank		23.08	-	23.08
6	Syndicate Bank		81.25	-	81.25
7	Vijaya Bank		300	-	300
8	Yes Bank		1000	-	1000
9	RBL Bank	Cash Credit	25	-	25
Total Existing Facilities			2,760.10	-	2,760.10
Total Proposed Facilities			1,239.90	-	1,239.90
Total Amount rated			4000	-	4000

Total:INR Four Thousand Crores Only