

September 12, 2024

Blacksoil Capital Private Limited: Material event update

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term/Short-term bank lines – Fund based	350.0	350.0	[ICRA]BBB+ (Positive)/[ICRA]A2; outstanding
Commercial paper programme	50.00	50.00	[ICRA]A2; outstanding
Total	400.00	400.00	

*Instrument details are provided in Annexure I

Rationale

Material event

On September 4, 2024, Blacksoil Capital Private Limited (BCPL) and Caspian Impact Investments Private Limited (CII; rated [ICRA]BBB+ (Stable)/[ICRA]A2) announced a plan to merge their operations¹. Following the transaction, CII will cease to exist and the merged entity will operate under the brand name of Blacksoil. The merged entity is envisaged to continue to operate in all the existing segments of BCPL and CII. Barring SIDBI Trustee Company Limited A/c Samridhi Fund (SIDBI Fund), all the shareholders of CII and BCPL will continue to be shareholders in the merged entity. SIDBI Fund's stake in CII will be shortly purchased by BCPL and the cash outflow is not expected to be material in relation to BCPL's net worth. The proposed merger will be settled through a share swap; hence, significant cash outflow is not expected on account of this transaction, except the amount required to provide exit to SIDBI Fund. The proposed transaction is subject to approvals from the regulator, lenders, etc, and the management expects the same to be completed in H1 FY2026. Both entities will continue to operate independently till the merger concludes.

Impact of material event

The successful completion of the transaction is expected to favourably impact the scale of operations, customer network, investor base and borrowing franchise of BCPL. While BCPL is backed by the promoters of the Navneet Group, the Avvashya Group and Mahavir Agency, CII's shareholders include institutional investors such as FMO Entrepreneurial Development Bank, GrayMatters Capital, Tridos among others. BCPL's existing shareholders will continue to hold a stake of about 79% in the merged entity while the balance will be held by CII's shareholders. The merged entity will be jointly spearheaded by the current management of BCPL and CII with Mr. Mohinder Bansal leading the company as the Chairman while Mr. Ankur Bansal will be the Managing Director.

The merged entity is expected to maintain a diversified product mix. While lending to financial institutions/fintechs is common territory for the merging entities, BCPL has established a presence in lending to growth companies and supply chain finance (through on-balance sheet and co-lending) and CII focuses on the food & agri sector and small business finance through its co-lending partnerships. Additionally, while BCPL predominantly operates in a segment with a ticket size of Rs. 5-30 crore, CII's relatively lower ticket size and the merger will result in granularity to the portfolio. ICRA notes that the share of small business finance/retail lending in CII's portfolio has increased; nonetheless, the portfolio mix of the merged entity is expected to remain wholesale oriented over the medium term. The concentration risk in the merged loan book is not expected to increase, given the modest overlap of customers between BCPL and CII.

¹ Only CII, the non-banking financial company (NBFC) of the Caspian Group, is proposed to be merged with BCPL while the other entities (equity funds) of the Caspian Group will remain with the former

BCPL's management believes that the increase in the scale of operations will gradually lead to benefits of economies of scale. Further, the consolidated revenue will remain supported by income from investment in the units of alternative investment funds (AIFs) and management fees from the distribution of the units of AIFs. However, the merger is expected to affect the headline profitability indicators of BCPL during the transition phase, given the relatively modest profitability of CII.

ICRA is cognisant of the risk associated with the underlying borrower segment of BCPL as the businesses of these borrowers have a limited track record and volatile cash flows. Likewise, the credit profile of CII's borrowers is modest. Nonetheless, BCPL has a track record of successful exits from stressed accounts with the implementation of resolution plans to curtail losses and lower write-offs since inception. Moreover, the partial credit guarantees available from Rabo Foundation, United States International Development Finance Corporation (USDFC), Michael & Susan Dell Foundation (MSDF), Villgro, and National Credit Guarantee Trustee Company Limited (NCGTC) among others, for a part of CII's portfolio, mitigate the ultimate credit risk to some extent.

The merged entity's capitalisation profile is expected to remain adequate with tangible net worth of Rs. 575-585 crore and a gearing of ~1.7 times (basis financials as of March 2024). Nonetheless, incremental growth will be debt funded; thus, an increase in the leverage over the medium term cannot be ruled out. Earlier, the capitalisation level was supported by a capital infusion of Rs. 104 crore by BCPL's promoters in Q4 FY2024.

As the proposed merger will be settled through a share swap, significant cash outflow is not expected on account of this transaction, except the amount required to provide exit to SIDBI Fund. The shored-up liquidity, following the capital infusion of Rs. 104 crore in BCPL in Q4 FY2024, remains sufficient to facilitate the stake purchase from SIDBI Fund. As on June 30, 2024, BCPL had a cash balance of Rs. 76 crore, equivalent to 13% of its borrowings, while CII had a cash balance of Rs. 56 crore, equivalent to 10% of its borrowings as of March 31, 2024. ICRA notes that all the non-convertible debentures (NCDs) issued by BCPL provide investors with the right to exercise a put option after 24 months from the issuance date; thus, unforeseen put options exercised by the investors can impact liquidity. Nevertheless, the put options exercised by investors remained limited at less than 5% of the NCDs outstanding in the preceding quarters.

ICRA has taken note of the above event and will continue to monitor the development of the merger process as well as the timelines involved and will take appropriate action as and when required. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, rating sensitivities and liquidity: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidation

About the company

BCPL

BCPL is a non-deposit accepting non-banking financial company (NBFC), registered with the Reserve Bank of India (RBI). It was formed in 2016 through the acquisition of a defunct NBFC, Sarvodaya Capital, by the existing promoters. The NBFC initiated its lending operations in 2016 with real estate financing and gradually diversified to providing finance to growth companies (backed by venture capital and private equity) and financial institutions in the form of term loans, debt investments and structured debt. The company forayed into supply chain financing in 2021, after the acquisition of Saraloan Technologies Private Limited. In FY2022, BCPL exited the real estate lending business and the legacy book was run down in FY2024.

BCPL has two subsidiaries, i.e. Blacksoil Asset Management Private Limited (BAMPL – flagship company of BCPL for managing the AIF business) and Saraloan Technologies Private Limited (fintech platform used for evaluating small-ticket loans of up to Rs. 2-2.5 crore, primarily in the small and medium business loan segment).

Key investors in the company include the promoters of the Avvashya Group (managed by Mr. Shashi Kiran Shetty; Allcargo Logistics Limited is the flagship entity of the Group), the Navneet Group (managed by Mr. Gnanesh Gala; Navneet Education Limited is the flagship entity of the Group), Mahavir Agency (managed by Mr. Virendra Gala; engaged in real estate advisory) and Blacksoil Group (the Bansals).

In FY2024, BCPL reported a consolidated profit after tax (PAT) of Rs. 32 crore on total income of Rs. 164 crore compared to Rs. 27 crore and Rs. 118 crore, respectively, in FY2023. The company's capitalisation is characterised by a consolidated net worth of Rs. 436 crore and a gearing of 1.1 times as on March 31, 2024.

Key financial indicators (audited)

BCPL (standalone)	FY2022	FY2023	FY2024
	I-GAAP	IND-AS	IND-AS
Total income	76.3	104.2	139.2
Profit after tax	24.5	27.3	32.8
Total managed assets	676.3	877.6	~1,065
Return on managed assets	4.1%	3.5%	3.4%
Gross gearing (times)	1.3	1.5	1.1
Gross NPA	2.8%	6.3%	1.7%
CRAR	42%	38%	46%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Assets under management (AUM) includes BCPL's investment AIFs and co-lending book

BCPL (consolidated)	FY2022	FY2023	FY2024*
	I-GAAP	IND-AS	IND-AS
Total income	88.2	118.3	163.9
Profit after tax	25.1	27.1	32.0
Total managed assets	700.8	880.3	~1,092
Return on managed assets	4.0%	3.4%	3.2%
Gross gearing (times)	1.2	1.4	1.1

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; As of March 31, 2024, BCPL had two wholly-owned subsidiaries, i.e. BAMPL and Saraloan; AUM includes BCPL and BAMPL's investment AIFs and co-lending book

CII

Caspian Impact Investments Private Limited (CII) is a non-deposit taking NBFC, which was launched in 2013. It is the third fund to be set up and managed by Caspian Impact Investment Adviser Private Limited (CIIA). CII extends debt to enterprises with businesses that strive to create a social and/or environmental impact in a responsible, transparent and sustainable manner. It offers term loans, working capital loans and subordinated loans with ticket sizes ranging from Rs. 0.5-15 crore (Rs. 0.01-0.20 crore for its granular book) and tenures ranging from 0.5-5 years. CII's focus sectors include small business finance (SBF), microfinance institution (MFI), food & agriculture (F&A), general impact institutions (GII), healthcare (HEA), clean energy and efficiency (CLE), affordable housing finance and development (AHFD) and financial inclusion enablers (FIE).

Key financial indicators (audited)

CII	FY2022	FY2023	FY2024
	IND-AS	IND-AS	IND-AS
Total income	67.8	84.6	97.5
Profit after tax	0.2	3.4	8.5
Total managed assets	624.0	686.8	714.8
Return on managed assets	0.5%	1.2%	1.2%
Gross gearing (times)	3.1	2.9	3.5
Gross NPA	2.6%	1.2%	1.1%
CRAR	37.2%	35.3%	36.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information:

BCPL may face prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial covenants and operating covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders or the lenders do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the ratings would face pressure.

Rating history for past three years

			Current (FY2025)			Chronology of rating history for the past 3 years					
			FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 12, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	50.00	[ICRA]A2	17-MAY-2024	[ICRA]A2	02-JUN-2023	[ICRA]A2	02-JUN-2022	[ICRA]A3 +	-	-
Long term / short term - others - fund based	Long term / Short term	350.00	[ICRA]BBB+ (Positive)/[ICRA]A2	17-MAY-2024	[ICRA]BBB + (Positive)/[ICRA]A2	02-JUN-2023	[ICRA]BBB+ (Stable)/[ICRA]A2	02-JUN-2022	[ICRA]BBB (Stable)/[ICRA]A3 +	-	-
Long-term borrowing programme	Long term	-	-	17-MAY-2024	[ICRA]BBB + (Positive)	02-JUN-2023	[ICRA]BBB+ (Stable)	02-JUN-2022	[ICRA]BBB (Stable)	12-OCT-2021	[ICRA]BBB (Stable)
Long-term/Short-term bank lines – Unallocated^	Long term / Short term	-	-	-	-	-	-	02-JUN-2022	[ICRA]BBB (Stable)/[ICRA]A3 +	12-OCT-2021	[ICRA]BBB (Stable)/[ICRA]A3

^Clubbed with fund-based bank lines

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term fund-based bank lines	Simple
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long-term/Short-term bank lines – Fund-based bank lines	Sep 2021 to Oct 2023	MCLR linked	Sep 2024 to Apr 2026	350.00	[ICRA]BBB+ (Positive) / [ICRA]A2
-	Commercial paper programme*	-	-	-	50.00	[ICRA]A2

Source: Company; *Proposed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

	BCPL Ownership	Consolidation Approach
BCPL	Rated Entity	Full Consolidation
Blacksoil Asset Management Private Limited	100%	Full Consolidation
Saraloan Technologies Private Limited	100%	Full Consolidation

Source: Company; As of March 31, 2024

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