

## IndoStar Capital Finance Limited

Instrument	Amount Rated (In Rs. Crore )	Rating Action July 2016
Short term debt programme	1,250 (Enhanced from Rs 750 crore)	[ICRA]A1+/ Assigned

ICRA has assigned a rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 1,250 crore (enhanced from Rs 750 crore) short term debt programme of IndoStar Capital Finance Limited (ICF)<sup>1</sup>.

The rating factors in the company's strong capitalisation levels (networth of Rs. 1,541.22 crore as on March 31, 2016) for its current scale of operations; the long standing experience of its institutional sponsors in the Indian and global markets; the presence of an experienced senior management team; and its robust risk management practices. The rating also draws comfort from the stated management policy of maintaining adequate liquidity back-up so as to manage refinance risks.

ICRA also factors in the synergies from the sponsors in terms of sourcing of business and also their active role in credit sanctions; the relatively long investment horizon of the sponsors; and the absence of any significant asset quality issues in the company's limited period of operations. ICRA views positively the improvement in the overall resource profile of the company with increase in banking and investor relationships.

Given its moderate track record and the risks associated with the wholesale lending model, ICRA notes that the company's ability to execute its business plans, raise funds at competitive rates from a diverse set of borrowers while maintaining healthy asset quality would remain the key sensitivities. ICRA also takes note of the recent foray of the entity into SME financing and performance of this segment will remain a key monitorable.

ICF's lending book stood at Rs 4,265 crore as on March 31, 2016 with the advances to real estate sector accounting for around 40% of the book with the remaining distributed across other sectors. In terms of portfolio mix, corporate and real estate loans account for around 95% of the overall lending while the rest 5% comprise loans against property towards SMEs. Within the real estate and corporate loans, over 80% of the advances are to residential projects located in Mumbai. Within the non-real estate exposures, ICF remains sector agnostic. For SME loans, the company's operations are currently spread across Mumbai, Pune, Bangalore and Delhi and the portfolio stood at Rs 230 crore as on March 31, 2016. In ICRA's view, the organizational mindsets as well as risks, systems and processes for wholesale financing and retail financing (loans to SMEs) are very different and hence the transition of the company from purely a wholesale financier to that of one into both segments of lending shall be a key monitorable going forward.

The company's asset quality remains comfortable albeit on a moderately seasoned book. The company was able to make some recovery from its delinquent accounts in FY2016; consequently, the gross NPA came down from 0.57% as on March 31, 2015 to 0.23% as on March 31, 2016. ICF's ability to scale its lending book while maintaining asset quality will remain a key rating sensitivity.

ICRA takes comfort from the diversification in the borrowing profile of the company. As on June 30, 2016, the company had term loan facilities from over 25 banks and 18 mutual funds with total borrowings of around Rs 3087 crore. ICF has a comfortable liquidity profile supported by unutilized bank lines and the company also maintains ~15% of its net worth in the form of fixed deposits at all times. In ICRA's opinion, ICF has been able to diversify its borrowing profile significantly over the last 12 months and now has greater stability in its overall resource profile.

As on March 31, 2016, the company's overall capital adequacy ratio remained healthy at 34.21% (32.64% as at March 31, 2015) almost entirely constituted by Tier I capital. ICF received equity of Rs 62 crore in August 2015 by way of conversion of partly paid up shares held by employees. Consequently, its leverage remains moderate at ~2.01 times as at March 31, 2016. Given the modest target of leverage over the next 2-3 years (3-3.5 times), and the moderate growth plans of the company, its capitalisation profile is expected to remain comfortable over the medium term.

<sup>1</sup> For the complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



The company's interest income increased by 26% to Rs. 534.51 crore in FY2016 from Rs. 425.58 crore in FY2015. The lower cost of funding led to an expansion in the company's net interest margin by ~50bps to 6.33% in FY2016. With stable operating expense and credit costs, profitability (net profit in relation to average assets) improved to 4.49% in FY2016 (4.17% in FY2015) and return on equity improved to 13.31% in the same period.

### **Company Profile**

IndoStar Capital Finance Limited (ICF), an NBFC was originally incorporated as R V Vyapaar Private Ltd. in July 2009. The name of the company was changed to IndoStar Capital Finance Private Ltd. on November 15, 2010 and to IndoStar Capital Finance Limited in April 2014. The company is registered with the RBI as a Systemically Important Non Deposit Accepting Non-Banking Financial Company. The company is sponsored by a group of financial institutions, including Everstone Capital, Goldman Sachs Group, Baer Capital Partners, and ACPI Investment Managers.

Indostar Capital (ICF Mauritius), a company incorporated in Mauritius, has a majority shareholding in ICF with 97.29% stake as on March 31, 2016. The balance shareholding of 2.71% in ICF is held by employees. ICF Mauritius is promoted by the sponsors of ICF. The company started operations with a strong net worth of USD 200 million (Rs. 891 crore). ICF primarily focuses on secured lending (secured largely in the form of property) to corporate. While most of the capital infused is through various funds managed by the sponsors, these are mostly long dated funds reflecting the long term investment horizon of the sponsors in ICF, which is factored in the rating assigned.

### **Recent Results**

For the year ended March 31, 2016, the company reported a net profit of Rs. 191.02 crore on an asset base of Rs. 4,692.25 crore as compared with a net profit of Rs. 149.06 crore on an asset base of Rs. 3,991.69 crore for the previous fiscal. The net worth of the company stands at Rs. 1,541.22 crore as at March 31, 2016.

**July 2016**

*For further details please contact:*

Analyst Contacts:

**Mr. Karthik Srinivasan** (Tel No +91 22 6114 3444)  
karthiks@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500