

## IndoStar Capital Finance Limited

February 14, 2019

### Summary of Rated Instrument:

| Instrument                 | Rated Amount<br>(Rs. crore) | Rating Outstanding |
|----------------------------|-----------------------------|--------------------|
| Commercial Paper Programme | 1,250.00                    | [ICRA]A1+          |
| <b>Total</b>               |                             |                    |

### Material Event

On February 4, 2019, IndoStar Capital Finance Limited (ICF) had announced the signing of a binding agreement to acquire Commercial Vehicle (CV) business of India Infoline Finance Limited (IIFL). The acquired AUM of IIFL CV business comprises of Rs. 2,450 crore of loan portfolio and Rs. 1,499 crore of securitisation/ assignment portfolio.

### Impact of the Material Impact

The [ICRA]A1+ rating assigned to the commercial paper programme of ICF remains unchanged by the proposed acquisition of CV business. The total AUM of ICF on consolidated basis, post-acquisition will increase to Rs. 11,697 crore from Rs. 7,748 crore as at December 31, 2018 with retail AUM at Rs. 7,217 crore (62% of the total portfolio). The acquisition of IIFL CV business will also help in expanding the geographical footprint of the company as ICF would also be acquiring 1,337 employee team located in 161 branches spread over 18 states. Currently, ICF's CV segment has 1,010 employee team located in 142 branches across 17 states. In ICRA's opinion, this acquisition would improve the granularity of ICF's portfolio and is in line with the business plans of the company. At the same time, given that the acquisition is expected to be debt funded (largely through bank borrowings), the gearing could increase from current low levels of ~2.1 times as on December 31, 2018 to around 2.7-3x. Nevertheless, given the strong capitalisation profile, the company has adequate cushion to manage the acquisition. Also, given that the asset quality of the portfolio being acquired is relatively weaker (net NPA% of 4.4%, PCR – 50%) as compared to ICF's CV book, the blended asset quality is expected to be weaker than current levels; though the expected structuring as part of the transaction is expected to keep the credit costs limited for ICF. The transaction is expected to get concluded by March 2019 and ICRA would continue to monitor the developments including rationalisation of branch network and stabilisation of operations. Overall, rating for ICF continue to factor in the company's strong capitalisation levels (net worth of Rs. 2,955 crore as on December 31, 2018) for its current scale of operations; long standing experience of its institutional sponsors in the Indian and global markets; presence of an experienced senior management team; its robust risk management practices and the management's stated policy of maintaining adequate liquidity back-up to manage refinance risks.

The previous detailed rating rationale is available on the following link: [Click here](#)

### About the company:

IndoStar Capital Finance Limited (ICF) was originally incorporated as R V Vyapaar Private Ltd. in July 2009. The company's name was changed to IndoStar Capital Finance Private Limited in November 2010 and to IndoStar Capital Finance Limited in April 2014. The company is registered with the Reserve Bank of India (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 57.02% stake as on September 30, 2018. ICF Mauritius is promoted by the sponsors of ICF. ICF got listed in May 2018 and received a fresh equity infusion of Rs. 700 crores. The Promoters & Promoters Group stake as on December 31, 2018 stood at 60.3%. ICF initially provided wholesale loans to both real estate and non-real estate segment. The Company has also commenced Commercial Vehicle financing in addition to SME Financing. ICF's loan portfolio (including assigned portfolio) and net worth stood at Rs. 7,227 crore and Rs. 2,955 crore respectively as on December 31, 2018. The company's reported NPAs are comfortable with gross and net NPAs of 0.98% and 0.84% respectively as on December 31, 2018 down from 1.29% and 1.08% respectively as on March 31, 2018

In FY2018, the company reported a net profit of Rs. 236 crore on an asset base of Rs. 7,279 crore compared to a net profit of Rs. 209 crore on an asset base of Rs. 5,469 crore in FY2017. During 9MFY2019, the company reported a net profit of Rs. 184 crore on an asset base of Rs. 9,388 crore.

### Key financial indicators (Standalone and Unaudited)

| As per                         | As per IGAAP<br>FY2017 | FY2018 | Ind-AS<br>9MFY2019 |
|--------------------------------|------------------------|--------|--------------------|
| Net Interest Income            | 326                    | 350    | 381                |
| Profit after tax               | 209                    | 236    | 184                |
| Net worth                      | 1,900                  | 2,146  | 2,955              |
| Portfolio                      | 5,235                  | 5,960  | 7,617              |
| Total Assets                   | 5,469                  | 7,279  | 9,332              |
| Return on average total assets | 4.11%                  | 3.69%  | 2.94%              |
| Return on equity               | 12.15%                 | 11.64% | 9.63%              |
| Gearing                        | 1.84                   | 2.31   | 2.14               |
| Gross NPA                      | 1.41%                  | 1.29%  | 0.98%              |
| Net NPA                        | 1.21%                  | 1.08%  | 0.84%              |
| Net NPA/Net worth              | 3.36%                  | 2.98%  | 2.09%              |
| Capital Adequacy Ratio         | 33.80%                 | 28.30% | 30.80%             |

Amount in Rs. crore

Source: ICF; ICRA research

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

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