

Nivara Home Finance Limited

May 06, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	60.00	CARE BBB-; Stable (Triple B minus; Outlook: Stable)	Reaffirmed
Total Facilities	60.00 (Rs. Sixty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to factor in the strong founder team and experience of its management, significant growth in loan portfolio, healthy asset quality being maintained and adequate capitalization levels for its present scale of operation. The rating is constrained on account of short track record of operations with low seasoning of portfolio, small scale with geographically concentrated operations and inherent risk associated with borrower segment though secured nature of loan book. Going forward, the ability of the company to scale up its operations supported by adequate equity infusion, while improving profitability, increasing geographical diversification and maintaining the asset quality would be the key rating sensitivities

Detailed description of the key rating drivers

Key Rating Strengths

Strong founder team and management: Nivara was founded by Mr. C.V Rao along with ASK group founders/professionals, Mr. Monik Koticha and Mr. Sunil Rohokale investing in their individual capacity (shareholding by ASK founders/professionals presently holding around 80% in Nivara). The operations of the company are headed by Mr. C.V Rao, CEO and MD, who has extensive experience of over 24 years in banking and financial services industry. Before starting Nivara, he has held leadership positions in leading private sector banks like ICICI Bank, IndusInd Bank and ING Vysya Bank. He is supported by an experienced second line of leadership, who have an experience of around 10-20 years in banking and financial services industry.

Adequate capitalization level: The operations of the company have been adequately funded by shareholders (Rs.50 crores as on Dec 31, 2018). The entire amount of unsecured loans (interest free) from promoters of around Rs.15 crore was converted into share capital in April 2018, post the increase in the authorized equity share capital from 35 crore as on March 31 2018 to Rs.50 crore. Company reported CAR of 90.89% and Tier I CAR of 89.74% as on March 31 2018. CAR stood at 75.67% (Tier I CAR of 74.70%) as on Dec 31 2018.

The borrowings of the company increased from Rs.66.72 crores as on March 31 2018 to Rs. 89.20 crores as on Dec 31 2018. The overall gearing of the company was 1.73x as on Dec 31 2018 (1.89x as on March 31 2018).

Adequate loan origination and underwriting practices: Nivara has in place proper loan origination and underwriting process. Given the inherent risk associated with the customer segment and lending which is largely based on assessed income, the emphasis of the management has been on establishing good credit origination and underwriting practices supported by good internal control systems which will foster the growth of the company in long run.

Key Rating Weaknesses

Small size of operations with short track record, and geographically concentrated operations: Nivara was incorporated in December 2014 and was extended the license to commence operations from NHB on September 2015. The company had a total asset base of Rs.143.02 crores as on December 31, 2018. It is currently operating out of its Bangalore office having a total workforce of around 133 employees.

As on March 31, 2018, the operations of the company are currently restricted to 5 states viz. Karnataka, Maharashtra, Andhra Pradesh, Telangana, and Tamil Nadu, with overall 15 branches across these states.

Low book seasoning: The loan book's seasoning of the portfolio remains low though the asset quality is comfortable so far but trend in company's asset quality is yet to be established. The company's Gross NPA was Nil as on March 31 2018. As on December 31, 2018 gross NPA and Net NPA was at 0.23% and 0.20% respectively. The delinquencies of 30+ DPD was at 1.21% of loan portfolio as on December 31, 2018.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Inherent risk associated with borrower segment though secured nature of loan book: Nivara primarily focuses on self-employed and informal income borrower segment in urban areas, majority of whom have undocumented incomes. Further the customer segment is exposed to volatility in cash-flows and economic disruptions. While company's borrower segment may not have adequate documents to assess the financial viability, large part of its borrowers have credit history in the form of gold, two wheelers and consumer durables loans taken earlier. Moreover, secured nature of loan book (all loans secured against residential properties) reduces risk to some extent. Loan book under the self-employed class and salaried class stood at 50.23% and 33.51% respectively as on Dec 31 2018.

Analytical approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE Methodology for Non Banking Financials Companies](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Financial sector](#)

About the Company

Nivara is a housing finance company (HFC) incorporated on December 02, 2014, by Mr. C.V Rao, along with Mr. Sunil Rohokale and Mr. Monik Koticha. Nivara obtained license to commence operations w.e.f. September 18, 2015 upon receipt of certificate of registration from NHB to operate as a non-deposit accepting HFC. The company is engaged in providing housing loans to individuals for construction, purchase, repair and upgradation of houses to the under-served segments in the lower and middle income categories, including those employed or self-employed in micro and small enterprises. As on March 31, 2019, Nivara is operating out of 5 states of Karnataka, Maharashtra, Andhra Pradesh, Telangana, and Tamil Nadu, with an overall of 15 branches across these states, and has a portfolio of around Rs. 130.87 crore.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	3.58	12.56
PAT	0.03	0.21
Interest coverage (times)	1.05	1.09
Total Assets	37.84	104.88
Net NPA (%)	-	-
ROTA (%)	0.11	0.29

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 31 2028	60.00	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	60.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (12-Apr-18)	-	-

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