

## Share India Fincap Private Limited

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	50.00 (Enhanced from 40.00)	CARE A-; Stable	Upgraded from CARE BBB-; Stable

### Rationale and key rating drivers

The upgrade in rating of Share India Fincap Private Limited (SIFPL) reflects its strong parentage of Share India group marked by SIFPL's growing strategic importance for Share India Securities Limited (SISL) as SIFPL has been growing its loan book with sustained profitability, increase in economic incentive to parent and increased support from parent in the form of high degree of managerial, operational, governance and financial support and sharing of common brand name. Share India Fincap Private Limited is a wholly owned subsidiary of Share India Securities (SISL). Also, SISL has provided a letter of comfort stating that the promoters have a long-term view of the company and remain committed to support the company. There are no plans of any equity dilution of SIFPL with any external entities in the medium term and SISL plans to maintain the status of wholly owned subsidiary of SIFPL. The rating also derives strength from good profitability profile, adequate capital adequacy position and good asset quality although on a relatively unseasoned book.

The rating, however, remains constrained on account of the limited track record, relatively small size of the portfolio, and the concentrated resource profile led by loans from related parties and directors although improving.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Substantial growth in the loan portfolio while maintaining asset quality.
- Significant improvement in the credit profile of the parent

#### Negative factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Reduced linkage with Share India Securities or significant deterioration in the credit profile of parent
- Significant deterioration in the capitalisation profile of SIFPL with gearing rising above 5x.

**Analytical approach:** Standalone: factoring in linkages with Share India Securities Limited which owns 100% shareholding in Share India Fincap Private Limited.

### Outlook: Stable

The stable outlook factors in CARE Ratings Limited's (CARE Ratings') expectation that SIFPL will be able to grow its scale of operations while maintaining good asset quality.

### Detailed description of the key rating drivers

#### Key strengths

**Part of the Share India group:** SIFPL is a wholly-owned subsidiary of Share India Securities Limited (SISL), which holds 100% of the paid-up share capital. The parent company is engaged in the business of share broking, arbitrage based proprietary trading and trading services in equity, future and options, and the currency derivatives segments. It also provides services as a depository participant, research analyst, and mutual fund advisor and distributor. There are strong operational linkages as reflected from shared office location, common directorship, treasury team across Share India Securities Limited and Share India Fincap Private

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Limited. SISL is promoted by- Mr Parveen Gupta, Mr Rajesh Gupta and Mr Sachin Gupta. Mr Rajesh Gupta is also on board of SIFPL. The strategic importance of SIFPL for SISL has grown substantially as SIFPL is growing its WEL book with sustained profitability. As on March 31, 2024 around 58% of Borrowing profile of SIFPL is in the form of loan from directors. In the letter of comfort provided by SISL, it has stated that it will retain management control of SIFPL and there are no plans for any equity restructuring with any external entities in the medium term. Also, parent company will ensure that SIFPL is managed prudently to meet its commitments/liabilities in timely manner. Going forward, support from the parent is expected to continue.

### **Good asset quality, although deteriorated in Q1FY25**

SIFPL's loan book stood at ₹210 crore as on June 30, 2024, which is mainly in the form of women entrepreneurship loans (WEL) (71%) and business loans (20%). The company has also entered secured builder loans segment from April 2024 which formed 9% of the total loan portfolio as on June 30, 2024. It is expected to grow further in the coming years. WEL are extended to women entrepreneurs in tier 3 cities and rural areas. These loans are based on joint liability group (JLG) model with around 69,000 clients offered by a network of 70 branches operating in U.P., Punjab, Haryana, Bihar and M.P.

Most of the disbursements have happened over the past three years, which led to the loan book rising from ₹78 crore as on March 31, 2021, to ₹210 crore as on June 30, 2024. Business loans are given to related parties and entities known to the promoters. Going forward, the company plans to grow its WEL portfolio to ₹225 crore by FY25 from ₹150 crore as on June 30, 2024.

The asset quality remained under control although deteriorated with a gross non-performing assets (GNPA) ratio of 1.76% and net non-performing assets (NNPA) ratio of 0.94% as on March 31, 2024. It deteriorated further as the GNPA and NNPA increased to 4.90% and 3.86% as on June 30, 2024, as overall microfinance industry is experiencing a significant rise in delinquencies, largely due to increasing borrower indebtedness and various contributing factors, including heatwaves, general elections, and political initiatives like the "Karja Mukti Abhiyan." Additionally, challenges such as the weakening of the Joint Liability Group model, decreased centre attendance, and high staff turnover have severely affected collection efficiency.

### **Comfortable capitalisation levels**

The capital adequacy profile of the company remained comfortable with an overall capital adequacy ratio (CAR) of 38% as on March 31, 2024, although declined from 62% as on March 31, 2023, due to a substantial increase in the loan book which grew by 102% yoy basis. Tangible net worth of increased from ₹79 crore as on March 31, 2023 to ₹112 crore as on March 31, 2024 and further to ₹118 crore as on June 30, 2024 due to healthy internal accruals. Gearing of the company increased from 0.7x as on March 31, 2023 to 1.5x as on March 31, 2024 due to rise in borrowings (yoy: 192%). Going forward, gearing is expected to remain below 2x in the medium term.

### **Good profitability**

In FY24, SIFPL reported a decline in return on total assets (ROTA) of 15.8% for FY24, down from 23.2% in FY23. However, decline in profitability was due to decrease in arbitrage-based trading income which declined from ₹24 crore for FY23 to ₹15 crore for FY24. This decline was as per the management's plan to focus more on generating profits through core interest income in the form of loans advanced and less from trading income. Yields on advances decreased from 34.7% for FY23 to 30.1% for FY24 due to a substantial increase in business loans (yoy: 476%) as these were offered at a lesser rate as compared to WEL. Cost of funds also declined from 15.01% for FY23 to 13.02% for FY23 due to increase in loans from directors which are availed at a lesser rate as compared to term loans from Banks. Consequently, net interest margin (NIM) remained stable at 21.7% for both FY23 and FY24. The operating expenses/average assets ratio rose from 5.90% for FY23 to 8.23% for FY24 as the company is currently in the expansion phase and is opening new branches. The bank's ability to increase its WEL size and continue to maintain a high profitability will be a key monitorable.

## Key weaknesses

### Low track record in the overall loan book

The company commenced operations in 1996 in vehicle financing loans. Then it started WEL and business loans in 2019. This segment forms the core offering of the company, while the vehicle finance segment has been discontinued. Though the company has undergone three seasons and has gained a substantial number of repeat customers, the company's track record in this segment remains relatively limited.

### Concentrated resource profile, although improving

The company's borrowing profile remains concentrated, with the majority of the borrowing base in the form of loans from related parties and directors (73% of the total borrowings of ₹118 crore) as on June 30, 2024. Although, it has been improving as SIFPL has availed term loans from State Bank of India, ICICI Bank and AU small finance bank in FY24. While SIFPL is in the process of availing additional sanctions for debt facilities from domestic lenders, its ability to avail borrowings at competitive rates and build a diversified resource profile is yet to be seen.

### Relatively small size of operations

Loan portfolio of the company increased from ₹128 crores as on March 31, 2023 to ₹259 crore as on March 31, 2024 (YoY: 102%). The portfolio of WEL which is the core offering of the company increased from ₹112 crores as on March, 2023 to ₹172 crores as on March, 2024 (YoY: 53%). Business loans rose substantially from ₹15 crore as on March 31, 2023 to ₹87 crore as on March 31, 2024. Of the total business loans, only 10% were outstanding to related parties.

Furthermore, loan portfolio declined to ₹210 crore as on June 30, 2024 which included ₹150 crore of WEL, ₹42 crore of business loans and ₹18 crore of builder loans. Loan book declined in Q1FY25 as the company was conservative in sanctioning new WEL due to the ongoing stress in MFI segment. The loan book is presently geographically concentrated, with operations in five states – Uttar Pradesh, Punjab, Haryana, Bihar and Madhya Pradesh, with Uttar Pradesh accounting for 61% of the loan book as on June 30, 2024. The company has plans of extending its customer base to Odisha this year.

### Liquidity: Adequate

As on June 30, 2024, the company had adequate liquidity in the form of cash and bank balances worth ₹23.25 crore. The borrowings are mainly in the form of loans from related parties and directors. Also, support from the promoters is expected, if required.

### Applicable criteria

[Policy on default recognition](#)

[Notching by Factoring Linkages in Ratings- Parent Support](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Non Banking Financial Companies](#)

## About the company and industry

### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	NBFC

SIFPL (erstwhile Windpipe Finvest Pvt Ltd) was incorporated on December 24, 1996, as a company under the Companies Act, 1956. It is an investment and credit company (NBFC-ICC). SIFPL is a wholly owned subsidiary of SISL, which holds 100% of the paid-up share capital. The SISL group is owned by the Gupta family, with 27 shareholders in the form of family members and

relatives. This group is a conglomerate of 12 group companies with diversified activities into share broking and trading services in equity, future and options, and the currency derivatives segments. It also provides services as a depository participant, research analysis, and mutual fund advisor and distributor.

SIFPL started its operations around the year 2000 offering vehicle finance loans. The company is mainly funded by the family and relatives in the form of loans from directors and related parties. In 2019, the company started offering unsecured business loans and WEL. The average ticket size is ₹2 crores and ₹40,000, respectively, for these loans. WEL is extended to women entrepreneurs in Tier-III cities and rural areas. This segment has around 69,000 clients offered by a network of 70 branches operating in Punjab, Uttar Pradesh, Haryana, Bihar and Madhya Pradesh. The company has also entered secured builder loans segment from April 2024 which formed 9% of the total loan portfolio as on June 30, 2024.

Brief Financials (₹ crore)	March 31, 2023(A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	85.38	82.37	18.00
PAT	41.47	33.06	5.31
Interest coverage (times)	5.68	4.07	2.77
Total assets	137.48	280.08	238.85
Net NPA (%)	0.39	0.94	3.86
ROTA (%)	23.18	15.83	8.19

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31-01-2026	50.00	CARE A-; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	50.00	CARE A-; Stable	-	1)CARE BBB-; Stable (22-Dec-23)	1)CARE BB+; Stable (07-Dec-22)	-

LT: Long term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: +91-44 -2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Gaurav Dixit Director <b>CARE Ratings Limited</b> Phone: 91-120-4452002 E-mail: <a href="mailto:gaurav.dixit@careedge.in">gaurav.dixit@careedge.in</a></p> <p>Neha Kadiyan Associate Director <b>CARE Ratings Limited</b> Phone: 91-120-4452022 E-mail: <a href="mailto:Neha.Kadiyan@careedge.in">Neha.Kadiyan@careedge.in</a></p> <p>Anubhav Khatri Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Anubhav.Khatri@careedge.in">Anubhav.Khatri@careedge.in</a></p>
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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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