

RATING RATIONALE

05 July 2022

DMI Finance Private Limited

Brickwork Ratings reaffirms the ratings for the Non-Convertible Debentures of Rs. 50 Crs and withdraws the rating of Bank Loan facilities of Rs. 11.29 Crs of DMI Finance Private Limited

Particulars:

Instruments / Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (25 June 2021)	Present
Non Convertible Debentures (NCDs)	50.00	50.00	Long Term	BWR AA-/Stable (Reaffirmed)	BWR AA-/Stable (Reaffirmed)
Bank Loan - Fund Based- Term Loan	11.29	0.00	Long Term	BWR AA-/Stable (Reaffirmed)	Withdrawn
Total	61.29	50.00	Rupees Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of bank loan facilities/NCD are provided in Annexure-I & II

Note: Withdrawal of rating of bank loans on repayment in full, as confirmed by the lenders

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of Non-Convertible Debentures (NCDs) of Rs. 50 Crs and has withdrawn the rating of bank loan facilities of DMI Finance Private Limited (DMI Finance, DFPL or the company), as tabulated above.

The Withdrawal of Rating is at the request of the company, confirming that the BWR rated bank loan facilities availed from Union Bank of India and South Indian Bank (the lenders) was fully paid off and the lenders confirm its full repayment and closure of the said bank loan facility. The rating has been withdrawn on the basis of No dues Certificate from the lender and at the request of the company for withdrawal of the rating. The withdrawal of rating on the Bank Loan facility is in line with BWR policy of withdrawal.

The rating reaffirmation, inter alia, factors in DMI Finance's strong sponsor profile, experienced board and management, healthy capitalisation, comfortable liquidity, increase in loan book, improving asset quality and earning profile and low gearing. The ratings are, however, constrained by inherent vulnerability in the real estate exposure albeit reducing gradually and unsecured loans pertaining to the consumer finance portfolio.



The Stable outlook indicates a low likelihood of rating changes over the medium term, BWR believes that DMI Finance risk profile will be maintained over the medium term.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

KEY RATING DRIVERS

Credit Strengths:-

- **Strong sponsor profile:** DMI Finance continues to benefit from strong support from its major shareholder DMI Limited, a Mauritius-based investment company, wherein the major investor is New Investment Solution (NIS). NIS, started in 2002 by Takashi Sato, is a Zurich-based alternative asset manager with over US\$2.0 billion of deployed capital. It currently has eight investment funds in operation, including NIS Ganesha, its investment vehicle in India. The fund focuses on Japanese equities, along with US asset-backed debt and emerging markets, and it has a presence across various countries in Europe, the US and South East Asia, with investments in technology, financial services and real estate sectors, among others. DMI Limited has consistently supported the Company by infusing the sizable equity into DMI Finance. In FY22, funds amounting to Rs. 232 Crs were infused in the form of equity.
- **Experience board and management:** DMI Finance is founded by Mr Yuvraja C Singh (former MD, Citigroup) and Mr Shivashish Chatterjee (Co-Head, North America, Securitized Products Trading, Citigroup), both with over two decades of experience across mortgage trading, fixed-income structuring, and risk management with reputed global investment banks, before starting DMI Finance. The overall operations of DMI Finance are governed by an eight-member board consisting of two promoter directors and two nominee directors, including Mr. Gaurav Burman (from the Burman family-promoter and director of Dabur India) and Mr. Tammir Amr (former managing director of Lehman Brothers/ PSP Swiss Properties joint venture). Other key members of the board include Mr. Gurcharan Das (former managing director of Procter & Gamble) and Mr. Nipendar Kochhar (former managing director of ABNAMRO, South East Asia-consumer clients and commercial clients). Additionally, the company's senior management includes professionals with significant and relevant experience in their respective domains.
- **Healthy capitalisation coupled with low gearing at below 1x:**

The Company has strong & continuous financial support from existing investors Viz. DMI Limited, NIS Ganesha, Windy Investment Pvt Ltd, DMI Income fund Pte Ltd & NXC Corporation. The investors are supporting DMI Finance through regular equity infusion of Rs.965.81 Crs in FY21, Rs.178.61 Crs in FY20 and Rs. 919.8 Crs in FY19.

In December 2021, DFPL announced the equity investment of USD 47 million (approx Rs 347 Crs) from its new and existing investors. of which, equity invested was Rs 232 Crs, while the balance was in the form of internal exchange of shareholding between investors.

With this equity infusion and retention of profit, TNW improved to Rs 3848 Crs as on 31 March 2022 with a low leverage of less than 0.72x, against the Net worth at Rs 3483 Cr and gearing was 0.64x as on 31 March 2021.

The Company maintains a healthy capital adequacy ratio of 61.31% as on 31 March 2022, it was 60.20% as on 31 March 2021 and 44% as on 31 March 2020.

The Company had received fresh Term Loan sanctions of Rs 865 Crs and Working Capital sanctions of Rs 100 Crs in FY22. As on 31 March 2022, the Borrowing profile consists of Term loan Outstanding of Rs 872 Crs, Cash Credit (CC)/Overdraft (OD) outstanding of Rs 25 Crs and non convertible debentures of Rs 1855 Crs. Non Convertible Debentures of Rs 1855 Crs comprises Rs. 1805 crs of unsecured NCDs & Rs 50 Crs of Secured NCDs. Total Borrowings had increased from 2215 Crs as on 31 March 2021 to Rs 2752 Crs in FY 22 on account of additional funds raised from banks in the form of Term Loans/CC/OD.

As on 31 March 2022, though there was an improvement in TNW from Rs 3485 Crs to Rs 3848 Crs, the increased levels of borrowings led to a gearing of 0.72x as on 31 March 2022 as against 0.64x as on 31 March 2021. However the Company has maintained gearing level below 1x over the last five years and does not expect any significant increase in the same.

BWR believes DMI Finance's capitalisation profile continues to remain strong with periodic capital infusion including Rs. 232 Crs in FY22, and is expected to cover for any asset side risk and pursue portfolio growth over the medium term.

Improvement in scale of operations along with steady increase in Income and PAT

The Company's scale of operations has been improving over the years and more than doubled in 3 years i.e. from Rs 2512 Crs as on 31 March 2019 to Rs 5432 Crs as on 31 March 2022.

As on 31 March 2022, the portfolio is spread across Pan India with Rs 3386 Crs (62%) of portfolio in retail segment, Rs 1458 Crs (27%) in real estate funding and Rs 588 Crs (11%) of portfolio from non real estate.

For FY22, total income grew by 19.24% from Rs 764 Crs in FY21 to Rs 911 Crs in FY22 and net profits after tax grew substantially from Rs 22.31 Crs in FY21 to Rs 57.78 Crs in FY22. Average yield on portfolio had dipped from 18.93% in FY21 to 17.40% in FY22 on account of decline in Corporate portfolio from 45% in FY21 to 37.68% in FY22 wherein the average yield was upto 20% and loan tenure was 1 to 4 years as against consumer loans portfolio.

Credit Risks:-

Exposure to real estate and unsecured loans pertaining to consumer finance portfolio:

As on 31 March 2022, the portfolio of Rs 5432 Crs is spread across PAN India with Rs 3386 Crs (62%) of portfolio in retail segment, Rs.1458 Crs (27%) in real estate

funding and Rs 588 Crs (11%) of portfolio from non real estate.

Entire Retail portfolio is unsecured and includes Consumer loans to finance purchase of TVs, mobile phones and other household appliances, small ticket size MSME loans with average ticket size of Rs 1.50 Lakhs and personal loans with ticket size ranging from Rs 10,000 to Rs 1.50 Lakhs.

The retail loan portfolio of Rs 3386 Crs comprised Consumer loans 51%, personal loans 42% and remaining was 8% for MSME segment with tenor of 3months to 36 months.

While it was mainly engaged in secured corporate lending (largely to real estate builders) till a few years ago, it has shifted focus to digital lending, wherein it provides consumption loans, personal loans and MSME loans. This is a completely digital technology-driven business with API-based origination, underwriting and loan management systems. Herein, DFPL predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers (OEMs) and technology-driven aggregators. The company has grown into a PAN India credit platform with focus on digital consumer finance and corporate lending. The Company has also entered into an agreement with various mobile phone providers to finance its mobile phones purchases by customers which could be later extended to other Smart home appliances.

Over the period, the company has consciously reduced Real estate sector exposure to 27% of the portfolio as on 31 March 2022 from 33% of portfolio as of FY21, and 79% of portfolio as of FY18. Going forward, the Company's main focus shall remain to improve the retail portfolio through promoting digital lending.

While the increasing granularity of the portfolio is expected to reduce concentration risk, however, given the unsecured nature of the consumer finance portfolio, asset quality, credit costs and the consequent impact on profitability remain key rating monitorables.

- **Improving assets quality but still high exposure to the real estate sector.**

The company's asset quality indicators have been improving since FY21 and stands improved at 2.20% as on 31 March 2022 as against 3.92% as on 31 March 2021 and 4.59% as on 31 March 2020. NNPA also improved from 1.92% as on 31 March 2020 to 1.51% as on 31 March 2021 to 0.31% as on 31 March 2022. During FY 2021-22, there were no fresh slippages in the Corporate segment (Real estate+non real estate) and the Company had fully recovered Rs 29.67 Crs from non real estate segment resulting in nil GNPA from non real estate segment. As on 31 March 2022, the GNPA of Rs 119.63 Crs includes GNPA of Rs 6.94 Crs under consumer segment and Rs 108 Crs in real estate segment.

Company's follows a policy of writing off consumer portfolios with overdue more than 90 days and hence written off Rs 141 Crs in FY22 as against Rs 180 Crs in FY21.

The Company's provision coverage had improved from 62.36% in FY 2020-21 to 86.12% in FY 2021-22 with a total provision of Rs 103 Crs for GNPA of Rs 119.63 Crs in FY 2021-22 as against Rs 88.77 Crs of provision for GNPA of Rs 142.35 Crs in FY 2020-21.



While the asset quality profile of the company is showing an improving trend, it has been on the back of elevated write-off expenses, which in turn has created a negative drag on profitability profile of the company in FY21. However, with the improvement in average current collection efficiency from 88% in FY21 to 91% in FY22.

Going forward, the Company's ability to improve the asset quality in Consumer segment through improved collections and better recoveries from the NPAs in the real estate portfolio, and also simultaneously control the fresh slippages from the non real estate portfolio would be a key rating sensitivity.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

To arrive at its ratings, BWR has taken a standalone approach and applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Positive: Strong business growth, along with an improvement in asset quality and profitability, will be rating positive for the entity.

Negative: Deterioration in asset quality, profitability and liquidity will be key rating monitorables

LIQUIDITY INDICATORS: ADEQUATE

As on 31 March 2022, the Company had liquidity of Rs 1253 Crs which includes Cash and Bank Bal of Rs 553 Crs, Unencumbered FDs of Rs 129 Crs and liquid mutual funds of Rs 571 Crs. DMI Finance had no cumulative mismatches in any of the buckets as on 31 March 2022. It has an estimated debt obligation of Rs 660 Crs from April 2022 to March 2023.

COMPANY PROFILE

DMI Finance Pvt Ltd (DMI Finance/DFPL) is an RBI-registered, Systemically Important Non-Deposit taking NBFC (NBFC-ND-SI) incorporated in 2008 at New Delhi. The company had started its operations in May 2009. DMI Finance is promoted by Mr Yuvraja C. Singh (Former MD Citigroup) and Mr Shivashish Chatterjee (former Co-Head North America Securitized Products Trading, Citigroup). DMI Finance Pvt. Ltd. is a subsidiary of DMI Ltd. (Mauritius). DMI Limited has a 79.17% shareholding in DMI Finance Private Limited as of 31 March 2022, wherein the major investors include NIS (New Investment Solution). New Investment Solution (NIS) is a Zurich-based alternative asset manager with over US\$2.0 billion of deployed capital. NIS was started in 2002 by Takashi Sato. It currently has eight investment funds in operation, including NIS Ganesha, its Indian investment vehicle. The fund focuses on Japanese Equities, US asset-backed debt and emerging market debt.

KEY FINANCIAL INDICATORS- DMI Finance Private Limited

Key Financial Indicators	Units	FY21	FY22
Result Type		Audited	Audited
Loan Portfolio	Rs in Crs	3633.44	5431.51
Total Income	Rs in Crs	764	911
Profit After Tax	Rs in Crs	22.31	57.78
Tangible Net worth	Rs in Crs	3485	3848
CRAR	%	60.20	61.31%
Gearing	Times	0.64	0.72
GNPA	%	3.92%	2.20%
NNPA	%	1.51%	0.31%

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (Year T)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating	Date(s)& Rating(S) assigned in year T-1 (25 -June-2021)	Date(s) & Rating(s) assigned in Year T-2 (29-June-2020)	Dates(s) & Rating assigned in in Year T-3 (04-Nov-2019)
1	Fund Based	Long Term	11.29	Withdrawn at the request of the Company & NDC from lenders	BWR AA-(Stable) Reaffirmed	BWR AA-(Stable) Reaffirmed	BWR AA-(Stable) Reaffirmed
2	Fund Based	Long Term	-	-	BWR AA-/Stable (Reaffirmed & Withdrawn)	BWR AA-(Stable) Reaffirmed	BWR AA-(Stable) Reaffirmed

3	Fund Based	Long Term	-	-	BWR AA- /Stable (Reaffirmed & Withdrawn)	BWR AA- (Stable) Reaffirmed	BWR AA- (Stable) Reaffirmed
4	NCDs	Long Term	50	BWR AA-/Stable (Reaffirmed)	BWR AA-/Stable (Reaffirmed)	BWR AA-/Stable (Assigned)	-
			50	Rupees Fifty Crores only			

Note: The rating for the Bank loan facilities of Rs.11.29 Crs from the aforesaid table stands withdrawn.

COMPLEXITY LEVELS OF THE INSTRUMENTS

BLR - SIMPLE

NCD - SIMPLE

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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DMI Finance Private Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Rating Withdrawn at the request of the company and NDC from the lenders.

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	Union Bank of India	Term Loan	2.72	-	2.72
2.	South Indian Bank	Term Loan	8.57	-	8.57
		TOTAL	11.29	-	11.29

Bank Loan rating of Rs 11.29 Crs withdrawn on account of No Dues Certificate from South Indian Bank dated 31 March 2022 and Union Bank of India dated 18 Aug 2021

ANNEXURE II

INSTRUMENT (NCDs) DETAILS raised

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NCD	30-June-2020	50.00	9%	30 June 2023	INE604O07159
Total		50.00			

Rupees Fifty Crores only

ANNEXURE III :

List of entities consolidated :NA



For print and digital media

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