Annexure 2
Press Release
DMI Finance Private Limited

Ratings

Facilities	Amount (Rs. crore)	Rating[2]	Rating Action
Long-term Bank Facilities	900	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed
Total Facilities	900 (Rupees Nine Hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to facilities of DMI Finance Pvt Ltd (DFPL) continues to derive comfort from the company's experienced board and management team, comfortable capitalisation and liquidity owing to regular capital infusion from the investors and profitable operations. The rating also factor in the largely secured lending portfolio with adequate security coverage, *risk management systems in place and improving diversification with the growth in consumer loans and housing loan segment (under DMI Housing Finance Pvt Ltd - DHFPL). These rating strengths are, however, offset by the concentration of the loan portfolio in the real estate segment, borrower level concentration and moderate seasoning of loan book due to relatively limited track record of operations. Although, NPA ratios of the company are under control as on 31st December 2017, vulnerability of its wholesale loan book has increased following weakness in the real estate sector, DMI's ability to recover/resolve softer delinquent accounts / assets under settlement would be critical for it to maintain asset quality profile and would be a key rating sensitivity.*

Also, the ability of the company to sustain growth in operations, maintain healthy capital adequacy and profitability, would be crucial.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced board members and management team

DFPL is founded by Mr Yuvraja C. Singh (Former MD Citigroup) and Mr Shivashish Chatterjee (former Co-Head North America Securitized Products Trading, Citigroup). Both the directors have an experience of nearly two decades in the field of mortgage lending and risk management with reputed global investment banks. They look after the overall operations of the company along with a team of senior management team who are experienced professionals in their respective domains.

The board of directors of DFPL also includes eminent professionals on its Board like Mr Gurcharan Das (Former MD of Procter & Gamble), Mr. Nipender Kochhar (Former MD of ABN AMRO South East Asia - Consumer clients and commercial clients), Mr Arjun Malhotra (Co-Founder, HCL Group and CEO and

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

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

Chairman, Headstrong), Mr Gaurav Burman (from Burman family-promoter of Dabur India) as Nominee Director for Windy Investments Pvt Ltd and Mr Tamer Amr (former Managing Director of the Lehman Brothers *[Swiss Operations]* / PSP Swiss Properties joint venture) as Nominee Director for DMI Limited. Mr Sanjay Bhattacharyya (Former MD & CEO, State Bank of India) is on its advisory board.

Comfortable capitalization and low gearing led by regular capital infusion

The capital adequacy ratio of DFPL continues to remain comfortable at 62.11% as on December 31, 2017 (72.43% as on March 31, 2017) supported by capital funded business growth so far. The promoters have been supporting the company through regular equity infusions. During FY17, the existing promoters infused Rs.32.30 crore as CCDs. The Tangible Net worth of the company (including CCPS and CCDs) stood at Rs.1198.33 crore as on December 31, 2017.

Given the healthy net worth of the company following equity infusions and accretion of profits to net worth, the capital structure of the company is also comfortable. Consequently, the adjusted overall gearing (including guaranteed amount in debt and reduction of investment in subsidiaries/group entities from net worth) of DFPL stood at 0.50x as on December 31, 2017 (0.37x as March 31, 2017).

Adequate liquidity position

The liquidity position of DFPL remains favorable on account of the company's lending for average tenor of 1-5 years which is primarily been funded from equity and CCDs. As per structural liquidity statement dated September 30, 2017, there are positive cumulative mismatches upto 5 years including un-availed sanctioned lines of Rs.89.70 crore to meet any cash flow mismatches. DMI has raised funding from domestic banks & financial institutions and NCDs (excluding CCDs of Rs. 351 cr), its total borrowings were Rs.492 crore as on December 31, 2017.

Large Secured lending portfolio

DFPL had an outstanding loan book of Rs.1394.52 cr as on December 31, 2017. Of this 96% of the loan book pertains to Real Estate Loans and Wholesale Lending segment which is secured with an average collateral cover of over 2 times (90% of the secured lending portfolio of the company had LTV ratio of up to 60%). The collateral is mainly in the form of property (including land and building) and additionally also in form of pledge of shares. As a policy, DFPL enters into transactions where it is the senior lien-holder on the collateral, thereby providing reasonable flexibility in enforcing the security interest in the event of default.

The company is also growing its consumer lending segment (largely unsecured) and has entered into partnerships with Fintech companies providing online platform for sourcing loans. DFPL takes FLDG of 5-10% wherever the underwriting is done by the online partner. Also, the higher interest spreads take into consideration the envisaged credit loss.

Profitable operations

DFPL reported PAT of Rs.62.30 crore (P.Y. Rs.62.13 cr) on total income of Rs.222.76 cr (P.Y. Rs.62.13 cr) during FY17. During 9MFY18, DFPL has reported total income and PAT of Rs.175.66 cr and Rs.48.84 cr respectively. There has been moderate growth in income and profitability during FY17 and 9MFY18 owing to slowdown in the Real Estate segment which constitutes 81% of the loan book of the company as on December 31, 2017. ROTA of the company remained healthy at 4.23% for FY17 (P.Y. 5.23%) and 3.92% during 9MFY18.

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

Risk management systems in place

DFPL has implemented risk management framework for approving and monitoring its portfolio. The credit committee includes sponsor investor directors Mr Yuvraja C Singh, Mr Shivashish Chatterjee and Mr. Gaurav Burman. The committee members are eminent professionals having more than two decades of experience in real estate lending, credit appraisal and risk management. Furthermore, the company has defined criteria for sanction of loans besides availability of consultants like CBRE India, JLL India, J. Sagar Associates, Dhir&Dhir Associate, etc for using their professional services in legal aspects including documentation, property valuation and real estate consultancy. The company has expanded its in-house credit appraisal team which is looking after the credit appraisals of the prospective clients.

Key Rating Weaknesses

High concentration in real estate sector and customer concentration, however likely to decline to some extent with build-up of retail loan book

DFPL has high exposure in the real estate sector. As on December 31, 2017, real estate contributed 81% to the outstanding loan asset of DFPL. This exposes the company to concentration risk and inherent risk associated with the real estate sector. Furthermore, top 20 borrowers contributed 72% to the total outstanding loan book and 84% to the net worth of DFPL as on December 31, 2017 (vs. 74% and 97% as on December 31, 2016), leading to borrower concentration in the portfolio. Top-10 borrowers accounted for 45% of loan book as on Dec-17.

Incrementally company is focusing on retail loan book (Consumer loans of Rs.62 cr constituting 4% of the loan book as on Dec-17) and non-real estate corporate sector loan book which is likely to reduce concentration as the book builds. The group is also expanding its presence in the retail housing loan segment through DMI Housing Finance Pvt Ltd (DHFPL). The Housing loan book stood at Rs.132 cr as on Dec-17 (9% of the consolidated loan book of DFPL and DHFPL). Ability of the company to diversify and grow its loan book would be a key rating sensitivity.

Increase in vulnerability of wholesale loan book following weakness in real estate sector

GNPA and NNPA of DFPL stood at 0.10% and 0.01% as on March 31, 2017. Gross NPA and NNPA were 0.15% and 0.03% respectively as on December 31, 2017. Although, NPA ratios of the company are under control, the vulnerability of its wholesale loan book has increased following weakness in real estate sector. The company had sold NPAs in FY17 to ARC; against which security receipts (SRs) of Rs.19.66 crore was outstanding as on Dec-17.

Additionally, as a resolution strategy, DMI has settled certain stressed loan accounts through taking over of underlying collateral (properties) and consequently has transferred these assets from loan to assets under settlement. Assets under settlement were Rs.144.47 crore. These three(NPAs plus security receipts and assets under settlement), accounted for 10.65% of the loan book plus assets under settlement and security receipts and 13.87% of tangible net worth as on December 31, 2017. Company is in advance stages of resolving part of assets under settlement. *DMI's ability to recover from assets under settlement / softer delinquent accounts would be critical for it to maintain asset quality profile and would be a key rating sensitivity*

Moderate seasoning of loan book and limited track record of operations

DFPL started its operations in May 2009 having a track record of around nine years. So far the company has been present largely in the real estate and corporate lending segment. The loan book of the company is moderately seasoned due to relatively limited track record of operations. Also, the retail book is of recent origin and the seasoning of portfolio is low.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology for Non-Banking Financial Companies
Financial Sector Ratios

About the Company

DFPL, established in year 2008, is a private financial services company registered with the Reserve Bank of India (RBI) as an NBFC-loan company. DFPL is promoted by a Mauritius-based investment company 'DMI Ltd', having a majority stake of 99.34% in the company as of March 31, 2017.

DMI Ltd, incorporated in 2008, is held by a group of private equity players/investors with experience in financial services domain. DFPL is primarily engaged in secured lending business to small and medium-sized companies. The company offers corporate and consumer loans having tenor in the range of 1-5 years. It started its operations in May 2009 and as on December 31, 2017, company had an outstanding loan portfolio of Rs.1,394.52 crore.

DFPL also has exposure to retail housing finance through its subsidiary, DMI Housing Finance Pvt Ltd (DHFPL). DHFPL commenced operations in FY14 and had a loan book of Rs.132 crore as on December 31, 2017. DMI Consumer Credit Pvt. Ltd (also a subsidiary of DFPL) has applied to RBI for separate NBFC license for expansion of its retail consumer loan business. The Group has also launched an Alternative Investment Fund (AIF) with corpus of Rs.950 crore (to be managed by DMI Alternatives Pvt Ltd.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	195.45	222.76
PAT	62.13	62.30
Interest coverage (times)	2.31	2.05
Total Assets	1,387.06	1,559.82
Net NPA (%)	1.04%	0.10%
ROTA (%)	5.23	4.23

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.*

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

Analyst Contact:
Name: Gaurav Dixit
Tel: 011-45333235
Mobile: 9717070079
Email: gaurav.dixit@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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-Long Term-Term Loan	-	-	-	710.00	CARE AA-; Stable
Fund-based-Long Term-Cash Credit	-	-	-	190.00	CARE AA-; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	900.00	CARE AA-; Stable	1)CARE AA; Stable (02-May-17)	-	1)CARE A (26-Oct-15)	1)CARE A (12-Dec-14) 2)CARE A (30-Apr-14)

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691