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Website: [www.cslfinance.in](http://www.cslfinance.in)

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Date: 26.03.2020

To,  
The Manager,  
Department of Corporate Services,  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001

**Sub: Intimation w.r.t. Reaffirmed Rating by CARE Ratings Limited.  
Scrip Code: 530067**

Dear Sir,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that the CARE Ratings Limited, has reviewed the ratings assigned for bank facilities and reaffirmed the same vide its Press Release dated 26.03.2020:

<b>Facilities</b>	<b>Amount (Rs.in Crore)</b>	<b>Rating</b>	<b>Rating Action</b>
Long-Term Bank Facilities	120	CARE BBB; Stable	Reaffirmed
<b>Total Facilities</b>	<b>120</b>	(Triple B; outlook: Stable)	

This is for your information and record.

**For CSL Finance Limited**

**Sd/-  
Akash Gupta  
Company Secretary**

Encl: a/a

**No. CARE/DRO/RL/2019-20/3800**

**Mr. Rohit Gupta**

**Managing Director**

**CSL Finance Limited**

World Trade Tower, Plot no.1 Block-C,

Sector-16, Noida

Uttar Pradesh-201301

March 23, 2020

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY19 (audited) and 9MFY20 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	120	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
<b>Total</b>	<b>120</b> <b>(Rs. One Hundred and twenty crore only)</b>		

2. Refer **Annexure 1** for details of rated facilities.
3. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (i.e March 23, 2020)
4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**CARE Ratings Ltd.**

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early as possible. In any case, if we do not hear from you by March 24, 2020 we will proceed on the basis that you have no comments to offer.

5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
7. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
8. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
9. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are grateful to you for entrusting this assignment to CARE

**CARE Ratings Ltd.**

Thanking you,

Yours faithfully,



**[Abhishek Jangra]**

Analyst

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Encl.: As above



**[Gaurav Dixit]**

Associate Director

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**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**CARE Ratings Ltd.**

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**Annexure**  
Press Release

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	120	<b>CARE BBB; Stable (Triple B; Outlook: Stable)</b>	Reaffirmed
<b>Total Facilities</b>	<b>120 (Rupees One Hundred Twenty crore only)</b>		

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the long-term bank facilities of CSL Finance Limited (CSLFL) continue to factor in comfortable capital structure with largely equity funded loan book and hence low gearing levels, secured lending portfolio (98% of book as on Dec 2019 is secured) with adequate loan to value (LTV) levels, healthy profitability and long standing experience of promoters holding 56% stake in the company. The overall asset quality of the company remains comfortable although some downturn has been registered in SME retail loan book.

The ratings of CSLFL are constrained by company's small scale of operations with stagnant loan book (at around Rs.300 crore) over past 6 quarters and high portfolio vulnerability arising on account of relatively higher borrower concentration risk, sector concentration to riskier real estate segment and geographical concentration risk with majority 77% of assets under management (AUM) concentrated in Delhi-NCR and relatively limited track record of operations in lending business. Although the company's portfolio mix is changing with increasing share of retail loan book (22% of AUM end Dec-19 up from 6% end Mar-18).

**Rating Sensitivities**

Going forward, the ability of the company to sustain its operational growth while maintaining asset quality, profitability, and increasing geographical diversification of its portfolio would be the key rating sensitivities.

**Positive Factors:**

- Consistent improvement in financial profile in near to medium term with RoTA of ~6.5% on a sustained basis
- Improvement in asset quality metrics both on an overall basis and in the SME segment while attaining meaningful scale-up in portfolio.
- Further reduction in wholesale loan book concentration
- Capitalization metrics remaining strong with gearing remaining below 2.0 times.
- Increasing geographical diversification of loan book

**Negative Factor:**

- Any adverse movement in asset quality with GNPA increasing beyond 4% thereby adversely affecting earnings profile of the company
- Increased borrower/borrower group concentration

**Detailed description of the key rating drivers**

**Key Strengths**

**Experienced promoters and management team**

The company is promoted by Mr. Rohit Gupta, Managing Director, who has more than 25 years of diverse experience in the field of Merchant Banking, Corporate Finance, Financial Restructuring, Project Finance, Stock Markets and Secured Lending. He is supported by a team of experienced professionals. Also, the company has experienced second line of management in relation to its size of business.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### **Comfortable capital structure**

CSLFSL's net worth has increased on account of internal accruals from Rs.184 crore as on Mar-18 to Rs.215 crores as on March 31, 2019. Net-worth of the company further increased to Rs.230 crores ending Dec-2019. Given, the equity funded nature of loan book, the gearing levels of CSLFL remain low at 0.43 times as on Dec-19 down from 0.57 times from Mar-19. CSLFL's capitalization profile is comfortable as reflected in capital adequacy ratio (CAR%) of 72% as on Dec-19 up from 65% end March-2018.

### **Secured lending portfolio**

The loan portfolio of CSLFL stood at Rs.318 crores as on December 31, 2019, with 78% of advances towards wholesale loan book (primarily loans to real estate sector) which is 100% secured and backed by comfortable average LTV of 45%. The remaining 22% of loan-book is towards small ticket size retail SME segment, 90% of which is secured and has an even lower average LTV level of 32% end December-2019.

### **Comfortable over asset quality although downturn witnessed in SME loan book**

The company has been able to maintain tight control on NPAs despite challenging environment in real estate sector and has nil NPA in wholesale loan book. The company reported only one borrower with 30+DPD (0.6% of wholesale AUM). However the SME loan book has witnessed downturn during FY19 and 9MFY20 with softer (30+dpd) delinquencies rising from 1.3% end fiscal 2019 to 4.9% as on December 31, 2019. The 90+dpd in SME-retail segment stood at 0.7% as on March 31, 2019 that increased to 2.7% as on December 31, 2019. On overall basis, the company reported GNPA% and NNPA% of 0.6% and 0.47% ending Dec-2019 up from 0.12% and 0.10% respectively end March 31, 2019 vs. nil NPA as on Mar-2018. In retail-SME lending, the company offers secured and unsecured loans to unorganized small and medium enterprises. The focus is to disburse primarily to kirana merchants, small shop traders and small schools in tier II and tier III cities. Given the modest credit profile of these borrowers and their relatively under-banked status, the company remains susceptible to inherent asset quality related challenges.

### **Healthy earnings profile**

During FY19 and 9MFY20, company's weighted average lending rate was around 18% and funding cost was close to 10%, leaving interest spread of around 8%. On the back of large equity funded loan book, net interest margin (NIM) of the company remains healthy at 14% for FY19 & 9MFY19, marginally down from 15% during FY18. Its operating expenses remain low as the company's 78% loan books account wholesale lending in Delhi-NCR only hence resulting in lower operating expenses. Going forward, the operating expenses are likely to increase as the share SME advances increases. On account of lower operating expenses coupled with low gearing, the ROTA of the company stood at 8.02% for FY19 (PY: 8.29%) and 8.19% for 9MFY20. Profitability of the company has remained stable over past 2-3 years as the loan book of the company remains stagnant. During FY19 the company reported total income of Rs.59.7 crores and profit after tax (PAT) of Rs.25.15 crores up by 44% and 39% respectively over previous year. During 9MFY20 the company reported PAT of Rs.20.66 crores over total income of Rs.46.05 crores

### **Key Rating weaknesses:**

#### **Relatively small scale of operations and limited track record particularly for SME loan book**

CSL Finance Limited started wholesale lending business in 2011 and has increased its wholesale loan book to Rs.268 crores as on Mar-19 which has declined during 9MFY20 to Rs.248 crores as a part of company's strategy to shift its portfolio mix towards small ticket size, granular retail portfolio. CSLFL had started SME lending in March 2017 and has grown its loan book to Rs.70 crores (22% of AUM) end Dec-19 up from Rs.16 crores end Mar-18 (6% of AUM). In the present scenario, the company's loan book remains relatively small and shifting focus on SME lending which have relatively smaller track record of around 3 years would be the key monitor-able going forward.

### **High borrower concentration**

With 78% of loan-book as on December 31, 2019 exposed towards wholesale lending with average ticket size of Rs.7 crores, the borrower concentration risk of the company remains high. Exposure to top 20 borrowers stood at 57% of AUM and 79% of tangible networth as on December 31, 2019. The largest exposure outstanding of the company stood at 7% of AUM and 9.5% of tangible networth ending Dec-19. However, since Mar-17, the company has ventured into small ticket sized, retail-SME lending which is expected to reduce concentration risk to some extent.

**Geographic Concentration, although reducing with the company focusing on retail SME lending:**

CSLFL is exposed to geographic concentration as its entire corporate / wholesale portfolio is concentrated in Delhi-NCR and nearby places. In past 2-3 years the company expanded into retail SME lending and started operating in Haryana (29% of SME portfolio end Dec 2019), Rajasthan (23%), Punjab (16%), Gujarat (15%), Delhi (11%) and Uttarakhand (6%) through a network of 19 branches as on December 31, 2019. On overall basis, including wholesale loan book 77% of loan book is concentrated in Delhi-NCR.

**Concentration of exposure to real estate sector, though risk mitigated to some extent by secured nature of loan book, short-term nature, last mile funding nature of lending and affordable housing**

The company has high exposure to risky sector as it lends majorly to corporates/ companies in real estate development which have high inherent risks. However, the risk is mitigated to some extent by underlying security with collateral cover at around 2 times. The concentration is reducing and expected to reduce further with build-up of retail SME loan book.

**Liquidity Profile****Liquidity: Adequate**

The liquidity profile of the company remains adequate as there are no negative mismatches in ALM statement as on December 31, 2019. The company expects inflows of Rs.86.7 crores over next one year while its outflows are expected to be Rs.82.4 crores. Liquidity profile is also supported by low leverage of the company. The company is maintaining cash and bank balance of Rs.13.29 crores end Dec-19.

**Analytical approach: Standalone****Applicable Criteria**

[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)

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

[CARE's Rating Methodology For Non-Banking Financial Companies](#)

[Financial Sector –Financial Ratios](#)

**About the Company**

CSL Finance Limited (CSLFL) (formerly known as Consolidated Securities Limited), incorporated in December 1992, is a non-deposit taking NBFC headquartered in Delhi. The company is engaged in providing last mile funding solutions to small and medium size businesses engaged in real estate development. It also provides construction finance to builders and redevelopment sites for meeting their short term funding requirements. The company currently operates in Delhi NCR in this loan segment. CSLFL also provides loan against property in the ticket size of Rs.10 cr to Rs.15 cr. In March 2017, the company ventured into Retail SME lending (secured) within the range of Rs.5 lakh to Rs.30 lakhs and currently operates through 19 branches in this segment in their areas of Delhi-NCR, Punjab, Haryana, Rajasthan and Gujarat.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total income	41.46	59.70
PAT	18.08	25.15
Interest coverage (times)	5.08	4.01
Total Assets	287.73	339.31
Net NPA (%)	Nil	0.10
ROTA (%)	8.29	8.02

A: Audited

Note: Ratios are computed based on average of annual opening and closing balances

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please Refer Annexure-2

**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-Working Capital Limits	-	-	-	67.00	CARE BBB; Stable
Term Loan-Long Term	-	-	Jan, 2022	53.00	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-Working Capital Limits	LT	67.00	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Mar-19)	1)CARE BBB; Stable (30-Jan-18) 2)CARE BBB; Stable (11-Apr-17)	1)CARE BBB; Stable (17-Jan-17)
2.	Term Loan-Long Term	LT	53.00	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Mar-19)	1)CARE BBB; Stable (30-Jan-18)	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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.

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.