

Rating Update

October 11, 2019 | Mumbai

Nalin Lease Finance Limited

Update as on October 11, 2019

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

- Significant increase in the scale of operations and resource profile
- Deterioration in asset quality, and its impact on earnings and capitalisation

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from Nalin Lease Finance Limited (Nalin) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the company

Nalin Lease Finance, based in Himmatnagar, Gujarat, was established in 1990. The company, which is categorised as a non-government public limited company, was listed on the Bombay Stock Exchange (BSE) in 1995. The branch at Gujarat offers vehicle and gold loans to around 4,800 customers in Sabarkantha, Arvalli, Mehsana, and other nearby districts in Gujarat.

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Rating Rationale

October 05, 2018 | Mumbai

Nalin Lease Finance Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.7.5 Crore
Long Term Rating	CRISIL BB-/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB-/Stable' rating on the long-term bank facility of Nalin Lease Finance Limited (Nalin Lease Finance).

On September 26, 2018, the company announced a scheme of amalgamation of Ameer Finance Limited, Gandhi Shroff Services Private Limited, Nalin Services Limited, and Nalin Consultancy Services Limited, all companies owned by the promoter of Nalin Lease Finance, with itself. The amalgamation, which is currently awaiting National Company Law Tribunal approval, is expected to be completed by March 2019.

CRISIL has combined the business and financial risk profiles of Nalin Lease Finance and the companies proposed to be amalgamated in order to analyse the likely impact of the proposed amalgamation. The operations of these companies are minimal. The networth of the Nalin Lease Finance is expected to increase by Rs 6 crore to Rs 16 crore. This apart, the proposed amalgamation does not have any significant impact on the business and financial risk profiles of Nalin Lease Finance. Nonetheless, CRISIL will closely monitor the developments in this regard.

The rating continues to reflect adequate capitalisation and the extensive experience of the promoter in the asset financing business. These strengths are partially offset by a small scale of operations and a modest resource profile.

Analytical Approach

For arriving at the rating, CRISIL has considered the standalone business and financial risk profiles of Nalin Lease Finance.

Key Rating Drivers & Detailed Description

Strengths

* Adequate capitalisation

Capitalisation is adequate for the current and planned scale of operations. The networth was Rs 10.9 crore and the gearing 0.7 time as on March 31, 2018. Capitalisation is expected to remain comfortable, with gearing at less than 2 times over the medium term.

* Extensive experience of the promoter

The promoter, Mr Dilipkumar Gandhi, has more than two decades of experience in the asset finance business and has been operating in the new-two-wheeler segment since 2009. In 2015, the company began lending against gold, which contributes 61% of the current loan portfolio.

Weaknesses

* Small scale of operations and regional concentration

Though the portfolio has doubled in the past two fiscals, the scale remains small with a loan portfolio of Rs 18 crore as on March 31, 2018, as against Rs 8.5 crore as on March 31, 2016. The company has only one branch with a presence in Sabarkantha, Arvalli, Mehsana, and other nearby districts in Gujarat. Gold loans and vehicle loans contribute 61% and 39%, respectively, of the current loan portfolio.

* Modest resource profile

The company has only one banking relationship and its ability to raise funds from external sources will be key monitorable. The resource profile may remain modest in the medium term.

Outlook: Stable

CRISIL believes Nalin Lease Finance will continue to benefit from the extensive industry experience of its promoter, and maintain adequate capitalisation over the medium term. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and resource profile, while adequate capitalisation and sound asset quality are maintained. The outlook may be revised to 'Negative' in case of weakening of asset quality or profitability, thus impacting capitalisation.

About the Company

Nalin Lease Finance, based in Himmatnagar, Gujarat, was established in 1990. The company, which is categorised as a non-government public limited company, was listed on the Bombay Stock Exchange (BSE) in 1995. The branch at Gujarat offers vehicle and gold loans to around 4,800 customers in Sabarkantha, Arvalli, Mehsana, and other nearby districts in Gujarat.

Key Financial Indicators

Particulars	Unit	2018	2017
Total assets	Rs crore	18.5	14.2
Total income	Rs crore	3.5	2.7
Profit after tax	Rs crore	1.0	0.9
Gross NPA	%	2.4	0.3
Gearing	%	0.7	0.4
Return on assets	%	6.2	7.5

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs Cr.)	Rating assigned With outlook
NA	Cash Credit	NA	NA	NA	7.5	CRISIL BB-/Stable

Annexure - Rating History for last 3 Years

		Current		2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	7.50	CRISIL BB-/Stable	11-01-18	CRISIL BB-/Stable		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	7.5	CRISIL BB-/Stable	Cash Credit	7.5	CRISIL BB-/Stable
Total	7.5	--	Total	7.5	--

Links to related criteria

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Finance Companies](#)

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