



## Capital First Limited

V Vaidyanathan, Executive Chairman

Dun & Bradstreet D-U-N-S® No 65-031-4110

### Top 500 Ranking

Income	391
Net Profit	285
Net Worth	240

#### Mr. Vaidyanathan's Views

The company management believes that MSME financing is burgeoning industry with immense opportunities. As per IFC report, there is a capital shortfall of ₹. 32.5 tr in the MSME sector, of which the debt shortfall is ₹. 26 tr. Bank funding to this sector is only ₹. 8 tr. Hence this represents a huge opportunity. It is not that there are no risks in this business. Traditionally self-employed businesses have tended to do substantial part of their business in cash hence evaluating their repayment capability is not easy. Generally, their maintenance of financial accounts is weak and often scraps of paper. We therefore look at estimating their cash flows by alternative means. But with the new government's focus on reducing parallel economy, and the requirement of PAN cards for purchase above ₹ 200,000 and the opening of Jan Dhan Accounts the books of accounts of small entrepreneurs will reflect their real strength, and lending to these entities will get easier over time.

He also believes that the new regulations from RBI for NBFCs which require NBFCs to recognize NPA at 90 DPD is a step in the right direction. "Today the NPA of banks and NBFCs are not comparable, as banks report NPA of 90 DPD and NBFCs report NPA of 150 DPD. By March 2017 the industry will move to using 120 DPD as NPA reporting, and by March 2018, NPA reporting will move to 90 DPD. That presents the correct picture. Since finance companies are relatively smaller in size and focus on specific businesses, they can penetrate deeper. We are happy we have built a business in this niche area, which is both a business opportunity as well as an opportunity to cause social and financial inclusion.

Capital First Ltd (CFL) is a leading financial institution in India focused on providing debt financing to MSMEs and consumers. CFL was founded in 2012 by Mr. V. Vaidyanathan with backing of Warburg Pincus, a reputed global PE with over \$45 bn in Assets Under Management through buyout of an existing listed NBFC. The founding theme of the company is that financing India's 30 million MSMEs and its emerging middle class, with a differentiated model, based on new technologies, provides a large and unique opportunity. The company has so far financed more than 2.25 mn customers including more than 1.5 mn self-employed individuals and MSMEs.

Between 2008 and 2010, the main business of the company was financing real estate developers. The company was also in the forex business, a retail broking business, asset management business, wealth management and property services.

In 2010, the company changed its strategy and ventured in the business of retail finance, including MSME and consumer credit and closed down existing businesses of forex, broking, wealth management and asset management. The company saw a huge opportunity in financing the large underserved self-employed segments and the growing middle class of India.

Between 2010 and 2012, the retail business launched by the company was still in nascent stage, however the proof of concept had been established. Basis the same, the company secured equity backing of ₹ 8.10 bn from Warburg Pincus. Against the prevailing price of ₹ 122 the buyout was executed at ₹ 162 a share. As a part of the process, all key constituents of the company were changed which include:

- The majority and minority shareholding through buyout and open offer to public.
- Fresh Capital of ₹ 1.00 bn was raised by the company.
- The Board of Directors of the company was reconstituted
- The focus of the company on retail financing was further enhanced.
- A new brand "Capital First" was created and launched in the marketplace.

In 2013-14, the company raised ₹ 1.78 bn in a second round of equity funding from Warburg Pincus which was supported by HDFC Standard Life.

In 2014-15 the company raised additional equity of ₹ 3.00 bn through QIP route from reputed international and domestic Institutional investors including Goldman Sachs Asset Management, Birla Asset Management, One North Capital (Singapore). Over the years, a large number of reputed institutional investors like Jupiter Asset Management, Ashburton, Ashmore, Government Pension Fund Global and DSP Blackrock have become

### Financial Snapshot (In ₹ mn)

Total Income	14,259.2
Net Profit	1,120.2
Networth	14,154.7
EBIDTA	9,061.1

### Ratios (%)

EBIDTA Margin	63.5
NPM	7.9
RONW	7.9

(As on Mar 31, 2015)

### Management Details

#### Founder and Chairman

V Vaidyanathan

#### Directors

NC Singhal (Independent Director)  
Hemang Raja (Independent Director)  
MS Sundar Rajan (Independent Director)  
Dr. Brinda Jagirdar (Independent Director)  
Dinesh Kanabar (Independent Director)  
Apul Nayyar (Executive Director)  
Nihal Desai (Executive Director)  
Vishal Mahadevia (Non-Executive Director)  
Narendra Ostawal (Non-Executive Director)

### Address & Website

Indiabulls Finance Centre,  
Tower – 2, 15th Floor,  
Senapati Bapat Marg,  
Elphinstone (West),  
Mumbai – 400013,  
Maharashtra

#### Website

www.capitalfirst.com

shareholders of the company. Thus the company has the demonstrated ability to raise equity as and when required for growth.

The company finances various end uses like loans for plant and machinery, business expansion and provides finance for short term business requirements for self-employed and MSME segments. The company also provides loans for purchase of consumption items like white goods and two wheelers.

From a presence in just 5 cities in 2010, the company has expanded its operations to over 222 locations across the length and breadth of the country and has established a formidable franchise focused on high quality customer experience.

Within a short span of 6 years from 2010-2016, the company has grown the retail loan book from ₹ 0.88 bn to ₹ 137.56 bn. Consequently, the composition of the loan book of the company has transformed, and the retail business as a proportion of the total loan book has increased from 10% to 86%.

Over the years, the company has successfully reduced the Gross NPA from 5.28% as on 31st March 2010 to 1.07% as on 31st March 2016. Similarly the Net NPA reduced from 3.78% to 0.55% during the same period. Following the RBI guidelines, the company has changed its NPA recognition policy to 150 DPD in June 2015 from 180 DPD earlier.

The company has posted profits during all years despite the expansion and has set up stage over the last many years. The net profit has been growing consistently over the last 12 quarters and the Profit before tax (PBT) has increased from ₹ 74 mn in Q1 FY14 to ₹ 714 mn in Q4 FY 16. The company has increased its dividend over the years from 10% in FY 10 to 15% in FY 11, 15% in FY 12, 18% in FY 13, 20% in FY 14, 22% in FY 15 and 24% in FY 16.

The company has a long term credit rating of AA+, which is achieved by very select finance companies and banks in India based on comfortable capitalization levels, strong business model, comfortable asset quality parameters, healthy liquidity position, experienced management team, reputed institutional shareholders. The company has a diversified borrowing portfolio with more than 170 institutions providing lines of credit as of 31 March 2016.

The market capitalization of the company has increased from ₹ 7.90 bn on 31 March 2012 to ₹ 40.00 bn on 31 March 2016.

As on Mar 31 2016, Capital First's AUM stood at ₹ 160.41 bn as compared to ₹ 119.75 bn in the previous year registering a y-o-y growth of 34%. The retail AUM grew from ₹ 101.17 bn to ₹ 137.56 bn registering a growth of 36% y-o-y and contributing 86% to the total AUM of the company.

For the year FY16, the net profit of the company increased by 45% to ₹ 1.66 bn from ₹ 1.14 bn in FY15. The Net Interest Income (NIM) of the company increased by 53% from ₹ 5,363 mn in FY15 to ₹ 8,181 mn in FY16.

The total capital base of the company, including Tier 1 and Tier 2, has grown strongly from ₹ 6.90 bn in March 2010 to ₹ 27.39 bn as of 31 Mar 2016 as a result of equity raises as well as accrued profits. Capital First's capital adequacy ratio stood at 19.81% as on Mar 31, 2016.

The company is focused on building an institution on strong pillars of ethics, values and high corporate governance. The company has an eminent board with reputed professionals from the financial services industry. All board appointed committees are chaired by independent directors. The company presents fully audited financials every quarter, done by E&Y.

