



SMERA RATINGS LIMITED

Chaitanya India Fin Credit Private Limited (Chaitanya)

*Rating
Rationale*

June 18, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	16.50	SMERA BB+/Stable (Assigned)
Term Loan II	3.00	SMERA BB+/Stable (Assigned)
Term Loan (proposed)	0.50	SMERA BB+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.20.00 crore bank facilities of Chaitanya India Fin Credit Private Limited (Chaitanya). The outlook is '**Stable**'. The rating derives comfort from the company's experienced management, healthy asset quality, diversified funding base and comfortable capitalisation level. However, the rating is constrained by the company's small-scale operations and moderate operational efficiency. The rating is also constrained by the company's exposure to geographical concentration risk.

Chaitanya, established in 2009, is a Karnataka-based non-deposit taking NBFC-MFI. Chaitanya's healthy asset quality is reflected in on-time collection rate of ~99 per cent over the past three years. The company has a well-diversified funding base with borrowings from ten banks and six financial institutions (as on December 31, 2014). Chaitanya has also raised funds by way of securitization of assets. The company's comfortable capitalisation is reflected in capital adequacy ratio (CAR) of 28.70 per cent as on March 31, 2014. Chaitanya has raised equity capital of Rs.6.10 crore through rights issue in January 2015. SMERA believes the aforementioned capital infusion will help Chaitanya to expand its scale of operations while maintaining moderate leverage. Chaitanya benefits from its experienced management. The promoters of the company have around 10 years of experience in microfinance operations.

Chaitanya has small-scale operations marked by gross loan portfolio of Rs.78.26 crore as on December 31, 2014. The company's moderate operational efficiency is reflected in operating expense ratio of ~12 per cent in FY2013-14. Chaitanya's operations are concentrated in a single state viz. Karnataka.

Rating sensitivity factors

- Ability to scale up operations while maintaining healthy asset quality
- Improvement in operational efficiency

Outlook: Stable

SMERA believes Chaitanya will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers significant growth in loan portfolio while maintaining healthy asset quality and achieving improvement in operational efficiency. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's asset quality and operational efficiency.

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About the company

Chaitanya, established in 2009, is a Karnataka-based non-deposit taking NBFC-MFI. Chaitanya started microfinance operations in October 2009 under the Joint Liability Group (JLG) model. The company ventured into advancing gold loans and two-wheeler loans in FY2011–12. Chaitanya operates through 39 branches across 13 districts in Karnataka. The company is promoted by Mr. Anand Rao (Managing Director) and Mr. Samit S. Shetty (Executive Director).

For FY2013–14, Chaitanya reported profit after tax (PAT) of Rs.0.79 crore on operating income of Rs.6.22 crore, as compared with PAT of Rs.0.52 crore on operating income of Rs.4.02 crore in FY2012–13. The company's net worth stood at Rs.14.49 crore as on March 31, 2014, as compared with Rs.13.69 crore a year earlier. Chaitanya's loan portfolio stood at Rs.47.85 crore as on March 31, 2014 compared with Rs.28.17 crore a year earlier.

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