

### Chaitanya India Fin Credit Private Limited: Upgraded

Facilities	Amount (Rs Crore)	Rating/Outlook
Term Loan I	16.50	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan II	3.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan (Proposed)	0.50	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)

SMERA has upgraded the long term rating on the above mentioned bank facilities of Chaitanya India Fin Credit Private Limited (Chaitanya) to '**SMERA BBB-**' (**read as SMERA triple B minus**) from '**SMERA BB+**' (**read as SMERA double B plus**). The outlook is '**Stable**'.

The rating upgrade is in view of the significant increase in the portfolio of the company along with diversification in the funding profile. Further, the rating continues to derive comfort from the experienced management, healthy asset quality and comfortable capitalisation level. However, the rating is constrained by the geographically concentrated operations and exposure to regulatory risks inherent in the microfinance sector.

Chaitanya, established in 2009, is a Karnataka-based non-deposit taking NBFC-MFI. The promoters have over a decade of experience in microfinance operations.

#### Update

Chaitanya's loan portfolio has shown significant increase to Rs.187.89 crore as on March 31, 2016 from Rs.89.85 crore as on March, 2015. The loan portfolio stood at Rs.241.50 as on September 30, 2016 (Provisional). In addition to own portfolio, total loan assets securitized stood at Rs.28.89 crore for FY2016 as against Rs.9.23 crore for FY2015. Further, the total loan assets securitized from April, 2016 to September, 2016 stood at around Rs.64.45 crore.

The increase in portfolio is on account of growth in average loan ticket size by ~14 per cent (Rs.18589 for FY2015 and Rs.21118 for FY2016) and surge in borrower base to 1,74,016 as on September 30, 2016 from 1,30,688 as on March 31, 2016. The networth stood at Rs.47.63 crore as on September 30, 2016 (Provisional) as against Rs.25.90 crore as on March 31, 2016. Further, the company's funding base includes around ~35 banks and financial institutions as compared to the earlier 16 banks and financial institutions.

Chaitanya's asset quality continues to be healthy with on-time collection rate of ~99 per cent over the past three years. The comfortable capitalisation is reflected in the capital adequacy ratio (CAR) of 21.86 per cent as on Sep 30, 2016 (Provisional) as against 18.20 per cent as on March 31, 2016.

With portfolio concentration in Karnataka and Maharashtra at ~98 per cent and ~02 per cent, respectively (as on September 30, 2016), the company remains exposed to geographical concentration risk. However, the company is planning to set up branches in Bihar to reduce the risk to a certain extent.

### Rating Sensitivity Factors

- Sustained improvement in scale of operations while sustaining asset quality
- Efficient management of operating expenses
- Influence of adverse regulatory changes in the microfinance industry
- Geographical diversification of loan portfolio

### Outlook-Stable

SMERA believes that Chaitanya will maintain a stable outlook over the medium term owing to the experienced management and adequate capitalisation. The outlook may be revised to 'Positive' if Chaitanya scales up operations and diversifies its loan portfolio geographically while maintaining capital position, asset quality and profitability. Conversely, the outlook may be revised to 'Negative' in case of material change in the asset quality indicators. Any decline in profitability, resulting in stress on capital position or substantial decline in scale of operations may also entail a 'Negative' outlook.

### Criteria applied to arrive at the rating:

- Non Banking Finance Companies

### About the Company

Chaitanya, established in 2009, is a Karnataka-based non-deposit taking NBFC-MFI, promoted by Mr. Anand Rao and Mr. Samit Shetty, Managing Directors. The company commenced microfinance operations in October 2009 under the Joint Liability Group (JLG) model. The borrower base comprises 1,74,016 members as on September 30, 2016. The company has 100 branches across 23 districts of Karnataka and Maharashtra and is headed by an experienced team.

For FY2015–16, Chaitanya reported profit after tax (PAT) of Rs.1.49 crore on operating income of Rs.17.85 crore, as compared with PAT of Rs.0.84 crore on operating income of Rs.9.74 crore in the previous year. Further, for the period April, 2016 to September, 2016 (Provisional), the company reported profit after tax (PAT) of Rs.1.73 crore on operating income of Rs.15.98 crore.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating/ Outlook
			Long Term	Short Term	
18 June, 2015	Term Loan I	16.50	SMERA BB+ (Assigned)	-	Stable
	Term Loan II	3.00	SMERA BB+ (Assigned)	-	Stable
	Term Loan (proposed)	0.50	SMERA BB+ (Assigned)	-	Stable

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