

### RGVN (North East) Microfinance Limited: Assigned

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Non-Convertible Debentures (Series A)	25.00	SMERA BBB+/Stable (Assigned)
Non-Convertible Debentures (Series B)	15.00	SMERA BBB+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) to the Rs.25.00 crore and Rs.15.00 crore facilities of RGVN (North East) Microfinance Limited. The outlook is '**Stable**'. The rating derives comfort from the extensive experience of the management, sound asset quality, comfortable asset-liability maturity position and healthy financial risk profile. The rating also draws support from the company's adequate capitalisation levels, profitability metrics and significant equity infusion in the past two years. However, the rating is constrained by the limited track record of operations, modest scale of business, portfolio concentration (~95 per cent of total portfolio) in north eastern states mainly Assam and the company's moderate IT infrastructure. The rating also factors in the regulatory and socio-political risks inherent in the microfinance industry.

The rating also takes into account the 'in-principle' approval granted by RBI on September 16, 2015 to RGVN to set-up a small finance bank. However, raising retail deposits and accessing alternative sources of funds to maintain portfolio growth could be a challenge. Furthermore, RGVN's profitability is expected to decline during the initial few years after conversion. However, the company is expected to sustain its financial risk profile by maintaining a healthy capital position, with gearing of around three times during the transition period. SMERA will monitor the developments in this regard and assess their impact on the credit risk profile of RGVN. This remains a key rating sensitivity factor.

#### Rating Sensitivity Factors

- Increasing scale of microfinance operations by reducing portfolio concentration in Assam
- Sustaining improvement in profitability, asset quality and capital adequacy

#### Outlook-Stable

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

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
29 Mar, 2015	Term Loan	368.2.00	SMERA BBB+		Stable

**Criteria applied to arrive at the rating:**

- Non Banking Finance Companies

**About the Company**

RGVN, registered as an NBFC-MFI was incorporated in July, 2008 to carry out microfinance and developmental activities in North Eastern states (Assam, Sikkim, Meghalaya, Arunachal Pradesh and Nagaland) of India. RGVN took over the 'Credit & Savings Programme' (CSP) of RGVN Society (the parent organization of RGVN) to provide microfinance to the poorer sections of society. The day-to-day operations are managed by Ms. Rupali Kalita, Managing Director.

**Contacts:**

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.