Press Release

Cashpor Micro Credit

22 December, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 875.00 Cr.
Long Term Rating	SMERA A- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of **'SMERA A-' (read as SMERA A minus) on** the Rs. 875.00 crore bank facilities of Cashpor Micro Credit. The outlook is **'Stable'**.

Cashpor Micro Credit (CMC) began its operations in 1997 as Cashpor Financial and Technical Services (CFTS) for providing microfinance services to the below poverty line (BPL) women in Mirzapur District, Uttar Pradesh. In 2002, CFTS transferred all its microfinance activities to CMC which registered itself as a not-for-profit company under Section 25. The company is part of the Cashpor group promoted by Mr. David S. Gibbons and is currently operating in the states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh.

Key Rating Drivers

Strengths

Established presence in Microfinance lending

Established in 1996-97, CMC has an established presence of two decades in the microfinance sector. The company is promoted by Mr. Gibbons, Chairperson, having more than two decades of experience in the aforementioned sector. The company's Managing Director, Mr. Mukul Jaiswal has nearly 15 years of experience in the microfinance sector. In addition, 10 members on CMC's Board hold significant expertise in the field of microfinance, corporate law and finance. The company operates in regions with high concentration of below poverty line (BPL) population spread across 23 regions (covering 60 districts) in the states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh. The company has 500 branches as on 30thNovember, 2017 as against 422 branches as on 31 March 2015. The entity over the years has been able to increase its loan portfolio to Rs 1,330.00 crore in FY2017 from Rs 468.00 crore in FY2013, thereby registering a compounded annual growth rate (CAGR) of 33 per cent in the last five years. The active loan clients over the years has also increased to 8,52,898 as of March 2017 from 5,48,934 in March 2013, a CAGR of 13 per cent in the last five years. SMERA believes CMC will continue to benefit from its established position and the promoters' strong understating of microfinance lending.

Healthy Financial Position and Sound Asset Quality

The healthy financial position of CMC is reflected in the comfortable Return on Average Asset of 2.31 per cent as on 31 March, 2017 compared to 1.83 per cent as on 31 March, 2016. The Net Interest Margin (NIM) also improved to 7.99 per cent as on 31 March, 2017 compared to 6.45 per cent as on 31 March, 2016. The capital adequacy of CMC stood at 17.90 per cent as on 31 March, 2017 compared to 19.10 per cent as on 31 March, 2016. CMC has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans issued is ~24 months, whereas the bank funding typically has tenure of about 24-60 months. The funding pattern of CMC as on 30 September, 2017 included 69 per cent of term loans from banks and financial institutions compared to 61.00 per cent as on 31 March, 2017. Going ahead, SMERA expects the liquidity of the company to remain comfortable. CMC's sound asset quality is reflected in its low Non-Performing Assets (NPA) which is 0.48 per cent of the total loan portfolio of Rs. 1,424.40 crore as on 30 June, 2017 vs 0.38 per cent of Rs. 1,329.70 crore as on 31 March, 2017. The low NPA level of CMC even during demonetization is mainly on account of the discipline followed by the company like tracking of loan origination, strict monitoring and efficient collection systems.

Weaknesses

Moderate Geographic Concentration

CMC's operations are moderately concentrated with Uttar Pradesh accounting for 57 per cent of its total portfolio as on 31 March, 2017. Generally, the risk profile of a microfinance company with a geographically diversified portfolio is more resilient compared to that of an entity with a geographically concentrated portfolio. In order to reduce portfolio concentration level, the company is planning to open new branches in Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh which currently constitute around 43 per cent of the portfolio. SMERA believes that the moderate geographical concentration of its portfolio will continue to weigh on its credit profile over the near to medium term.

Limits on scalability and accruals

CMC being registered as a Section 25 (not for profit) company with a primary focus to undertake social initiatives in education and healthcare, limits its scalability and accruals. The company in order to improve the same has adopted the business correspondence (BC) model which is less capital intensive in nature. The company is tied up with four banks, with Indusind Bank majorly deploying the funds. The BC portfolio stands at Rs 553.20 crore (38.83 per cent) as on 30 June, 2017 as compared to Rs 518.80 crore (39 per cent) as on 31 March, 2017. Going forward, the company plans to increase contribution of BC lines to 50 per cent of total portfolio under management.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of CMC.

Outlook: Stable

SMERA believes that CMC will maintain a healthy asset quality and portfolio owing to its established position in the microfinance sector and experienced management. The outlook may be revised to 'Positive' if CMC scales up operations and diversifies its loan portfolio geographically, while maintaining the capital position, asset quality and profitability. Conversely, the outlook may be revised to 'Negative' in case of a material change in its asset quality indicators. Any decline in CMC's profitability resulting in stress on capital position, may result in a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16(Actual)	FY15(Actual)
Total Assets	Rs. Cr.	1032.47	798.06	669.53
Total Income	Rs. Cr.	122.69	94.73	78.80
PAT	Rs. Cr.	21.13	13.46	12.27
Net Worth	Rs. Cr.	114.03	81.02	67.40
Return on Assets (RoA)	(%)	2.05	1.69	1.83
Return on Net Worth(RoNW)	(%)	18.53	16.60	18.20
Total Debt/Tangible Net Worth (Gearing)	Times	7.85	8.65	8.67

Gross NPA	(%)	0.38	0.21	0.10
Net NPA	(%)	0.38	0.21	0.10
Net Worth/ Net NPA	Times	37.00	67.57	138.03

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Bank and Financial Institutions : https://www.smera.in/criteria-banks.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin- ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	873.02	SMERA A-/ Stable
Proposed –Term Loan	Not Applicable	Not Applicable	Not Applicable	1.98	SMERA A-/ Stable

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ABOUT SMERA

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