

Press Release

Cashpor Micro Credit

December 16, 2019



Rating Reaffirmed, Assigned and Withdrawn

Total Bank Facilities Rated*	Rs. 1564.95 Cr. (Enhanced from Rs. 1499.95 Cr.)
Long Term Rating	ACUITE A/ Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating on Cashpor Micro Credit's (CMC) bank facilities of Rs. 1155.45 Crore of '**ACUITE A' (read as ACUITE A)**', assigned long term rating of '**ACUITE A' (read as ACUITE A)**' to Rs. 409.50 Crore bank facilities. The outlook is '**Stable**'.

Further, Acuité has withdrawn long term rating of '**ACUITE A' (read as ACUITE A)**' on the Rs. 344.00 Crore bank facilities of CMC.

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 8 of The Companies Act. CMC is promoted by Prof. David S. Gibbons, founded Amanah Ikhtiar Malaysia, the first successful international replication of the Grameen Bank of Bangladesh. The company operates through a network of 641 branches in 84 districts across the states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of CMC to arrive at the rating.

Key Rating Drivers

Strengths

Established presence in microfinance lending:

Established in 1996-97, CMC has an established presence of over two decades in the microfinance sector. The company is promoted by Prof. Gibbons, Chairperson, having vast experience in this sector. He is a PHD holder in Politics and Economics from Princeton University and a professor in University Sains Malaysia in Penang. He founded Amanah Ikhtiar Malaysia, the first successful international replication of the Grameen Bank of Bangladesh. He was awarded with 'Contribution to the Sector Award - Contribution to the Growth of the Microfinance Sector in India by an Individual Award' in 2011 at Access Microfinance India Summit. Besides this, he has also been a member of Policy Advisory Group of CGAP (Consultative Group to Assist the Poor), World Bank. Prof. Gibbons chairs the Board of CMC and provides his strategic guidance and leadership to the Board and the Company.

The company's Managing Director, Mr. Mukul Jaiswal, Chartered Accountant, who has over a decades experience in the microfinance sector. In addition, CMC houses on its board Ms. Moumita Sen Sarma, Ex-head of Microfinance and Sustainable Development at ABN AMRO Bank (RBS Foundational Bank), and Mr. Bahram Navroz Vakil, who is a Masters in law holder from Columbia University, and is an advocate of the Bar Council of Maharashtra and Goa. Together they lend their significant expertise in the field of microfinance, corporate law and finance to CMC.

The company operates in regions with high concentration of below poverty line (BPL) population spread across 84 districts in the states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh. The

company has 641 branches as on September 30, 2019 as against 552 branches as on 31 March, 2019 (PY: 504 Branches). The entity over the years has been able to increase its AUM to Rs.2,363 Crore as on September 30, 2019 from Rs.1,812 Crore as on March 31, 2018, thereby registering a growth of ~30 per cent.

Acuité believes that CMC will continue to benefit from its established position and the promoter's strong understating of not-for-profit microfinance lending.

Established business model with a focus on off balance sheet growth; Healthy Profitability and Asset quality parameters supporting the credit profile:

CMC primarily focuses on lending to Joint Liability Group's (JLG) of women, below poverty line. The operations are spread across 641 branches in 84 districts (as on September 30, 2019) in Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh and Chhattisgarh. The AUM was Rs.2,363 Crore (as on September 30, 2019) which comprised on book portfolio of Rs. 1,120 Crore and off book portfolio of Rs. 1,243 Crore. The management of CMC has consciously adopted a strategy of focussing on off book growth through business correspondent relationships with both private sector and public sector banks. The company has been able to leverage its branch network to augment its Assets under Management (AUM) from Rs. 1,014 Crore as on March 2016 to Rs. 2,363 Crore as on September 2019. The off balance sheet book has growth faster from Rs. 443 as on March 2016 to Rs. 1,243 Crore September 2019. CMC has established business correspondent (BC) relationships with five banks as on September 2019. The off balance sheet focus has imparted a buoyancy to the profitability margins of the company. The total income (Net interest income (NII) plus other operational income) has increased from Rs. 47.42 Crore for FY2016 to Rs. 90.10 Crore in FY2019 mainly driven by a sharp rise in fee income. The Return on Average Assets (RoAA) margins have improved from 1.83 percent in FY2016 percent to 3.06 percent in FY2019 over the three year period.

CMC has managed to maintain a healthy asset quality, reflected in low GNPA and comfortable collection efficiency. The company reported Gross NPA (on total AUM) of 0.18 percent as on September 30, 2019 and 0.16 percent as on March 31, 2019 (PY: 0.24 percent). It has demonstrated comfortable collection efficiency with a track record of over ~99.92 percent collection on an average for twelve months ended September 30, 2019.

Going forward, the management's strategy to maintain equal balance of on-book and off-book loan portfolio will ensure improvement in profitability over near to medium term.

Weaknesses

Modest Capitalisation level; albeit exhibiting improvement over past 2-3 years

CMC is a not for profit company, engaged in microfinance lending activities. The net worth of CMC as on March 31, 2019 was Rs. 207 Crore and the company was geared at 5.51x, the debt comprised term loans from banks & financial institutions and subordinated debt of Rs. 1142 Crore. The company's Capital Adequacy ratio (CAR) stood at 22.35 percent as on September 30, 2019. Of the overall CAR, Tier I capital contributed 20.84 percent and Tier II capital contributed 1.51 percent. The Tier II capital is by way of subordinated debt from Dia Vikas Bank Limited.

CMC's gearing has improved significantly from 7.88x as on March 31, 2017 to 5.51x in March 2019. The improvement in gearing was driven mainly by plough back of profits & grants received from external parties. Since CMC is a Section 25 company and a not for profit organisation, it limits the scope of attracting substantial equity infusion, leading to dependency on grants and profit accretion to increase the networth of the company.

The company has attempted to tide over its capital constraints by focussing on off balance sheet exposures as against on balance sheet exposures. This has led to lower dependency on debt & consequently lower gearing. While generating off balance sheet portfolio with banks and financial institutions is a low capital intensive option, the management's plans to maintain an equal balance between off book and on book portfolio.

Acuité believes that ability of the company to maintain adequate capital and healthy gearing commensurate with its on book loan portfolio will be a key rating monitorable.

Moderate geographic concentration; susceptible to risks inherent in microfinance segment:

CMC's operations are moderately concentrated with Uttar Pradesh accounting for 53 per cent of its total portfolio as on 31 March, 2019. 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 47 per cent of the portfolio.

CMC primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. Since the microfinance sector operates in a segment dealing with the lower economic strata of the society, the regulatory environment is stringent. This renders the MFIs like CMC to regulatory risks. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations.

Acuite believes that the moderate geographical concentration in the portfolio coupled with regulatory and event risks will continue to weigh on its credit profile over the near to medium term.

Rating Sensitivities

- Changes in management.
- Decline in Profitability and asset quality.
- Further increase in gearing levels.
- Increase in geographic concentration.
- Changes in regulatory environment governing micro finance activities.

Material Covenants

None

Liquidity Position

CMC has adequately matched cash flow as on September 30, 2019, with cumulative surplus all maturity buckets. CMC has well matched maturity of assets and liabilities, the tenure for loans issued is ~12-24 months, whereas the bank funding typically has tenure of about 24-36 months., leading to positive mismatches over the near to medium term. CMC had unencumbered cash and bank balance of Rs. 332 Crore and unutilised sanctions of ~Rs. 125 Crore.

Outlook: Stable

Acuite believes that CMC will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain healthy AUM (on balance sheet assets and assets under BC model) and profitability metrics. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital structure.

About the Rated Entity - Key Financials

	Unit	FY19	FY18	FY17
Total Assets	Rs. Cr.	1406.23	1254.35	1033.43
Total Income (Net of Interest Expense)	Rs. Cr.	182.08	157.56	122.69
PAT	Rs. Cr.	40.70	31.94	21.33
Net Worth	Rs. Cr.	207.26	163.05	113.63
Return on Average Assets (RoAA)	(%)	3.06	2.79	2.33
Return on Average Net Worth (RoNW)	(%)	21.98	23.09	21.88
Total Debt/Tangible Net Worth (Gearing)	Times	5.51	6.45	7.88
Gross NPAs	(%)	0.16	0.21	0.38
Net NPAs	(%)	0.01	0.02	0.14

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
7-Nov-2019	Term Loan	Long Term	15.15	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	57.50	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	250.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	14.99	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	30.01	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	75.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	16.00	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	17.40	ACUITE A/Stable (Assigned)
	Proposed Term Loan	Long Term	100.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	9.70	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	18.17	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	16.67	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	1.25	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	6.11	ACUITE A/Stable (Assigned)

	Term Loan	Long Term	3.57	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	7.14	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	17.86	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	100.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	42.68	ACUITE A/Stable (Withdrawn)
	Term Loan	Long Term	94.29	ACUITE A/Stable (Assigned)
	Proposed Term Loan	Long Term	100.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	27.50	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	8.71	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	38.10	ACUITE A/Stable (Reaffirmed)
	Proposed Term Loan	Long Term	100.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	9.09	ACUITE A/Stable (Reaffirmed)
	Overdraft	Long Term	15.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	0.17	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	31.63	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	17.95	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	20.95	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	14.58	ACUITE A/Stable (Reaffirmed)

	Term Loan	Long Term	23.96	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	6.67	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	11.00	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	100.00	ACUITE A/Stable (Assigned)
	Proposed External Commercial Borrowings	Long Term	9.50	ACUITE A/Stable (Assigned)
	External Commercial Borrowings	Long Term	21.50	ACUITE A/Stable (Assigned)
	Proposed Long Term Loan	Long Term	34.50	ACUITE A/Stable (Assigned)
18-March-2019	Term loan	Long Term	39.39	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	32.50	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	40.00	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	68.93	ACUITE A-/Stable (Withdrawn)
	Term loan	Long Term	19.39	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	27.27	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	5.27	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	25.71	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	42.68	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	29.17	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	43.57	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	50.00	ACUITE A/Stable (Assigned)

	Term loan	Long Term	43.17	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	28.57	ACUITE A-/Stable (Withdrawn)
	Term loan	Long Term	4.17	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term loan	Long Term	25.00	ACUITE A/Stable (Assigned)
	Term loan	Long Term	30.00	ACUITE A/Stable (Assigned)
	Proposed Term Loan	Long Term	10.66 (revised from Rs. 1.98 Crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan	Long Term	309.55	ACUITE A-/Stable (Withdrawn)
22-Dec-2017	Term Loan	Long Term	873.02	ACUITE A-/Stable (Assigned)
	Proposed Term Loan	Long Term	1.98	ACUITE A-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	15.15	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	57.50	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	250.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.99	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	30.01	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.40	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.70	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.17	ACUITE A/Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	16.67	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.33	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.11	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.57	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.14	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.86	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	94.29	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.71	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	38.10	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.09	ACUITE A/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	31.63	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.95	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.95	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.58	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	23.96	ACUITE A/Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	6.67	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Reaffirmed)
External Commercial Borrowings	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A/Stable (Assigned)
Proposed External Commercial Borrowings	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A/Stable (Withdrawn)
External Commercial Borrowings	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A/Stable (Assigned)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	34.50	ACUITE A/Stable (Withdrawn)

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