

Press Release

Valar Aditi Social Finance Private Limited (VASFPL)

02 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.3.00 Cr.
Long Term Rating	SMERA BB-/ Outlook:Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB minus**' (read as **SMERA double B minus**) on the Rs.3.00 crore proposed bank facilities of Valar Aditi Social Finance Private Limited (VASFPL). The outlook is '**Stable**'.

Valar Aditi Social Finance Private Limited (VASFPL) is a Non-Deposit Accepting Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) registered with the Reserve Bank of India, dated September 2017. The company is engaged in micro financing activity directed to benefit poor women groups/individuals for enhancement of their livelihoods. The company started its activities from 2010 and has presence in Tamil Nadu and Puduchery. The company is promoted by Dr. I. Sebastian and Bestseller Foundation, a CSR initiative of Bestseller (Danish retailer).

Key rating drivers

Strengths

Experienced management: The company started its micro finance lending activities from 2010 onwards and has presence in Tamil Nadu and Puduchery. VASFPL focuses on activities related to empowerment of women and provides training to joint lender groups apart from micro finance lending. The management of the company has vast experience in micro finance, social sector, finance, technology etc. VASFPL is promoted by Dr. I. Sebastian and Bestseller Foundation. Mr. Sundararajan E, one of the key management personnel has more than four decades of experience in Banking and NBFC.

Healthy capitalisation and liquidity position: The healthy capitalisation of the company is reflected in the capital adequacy ratio (CAR) of 105.47 per cent as on 31 March, 2017 as against CAR of 101.44 per cent in the previous year. The company has a comfortable liquidity position as the tenure of loan ranges between 12 to 18 months. VASFPL remained debt free over the period under review. The incremental debt funding by the company over the medium term also ranges from 12 to 15 instalments.

Sound asset quality: VASFPL's Assets under Management (AUM) increased to Rs.8.82 crore in as on 31 March, 2017 as compared to Rs.8.72 crore a year earlier. The company has maintained sound asset quality of over 99.91 per cent in FY2016-17. The asset quality has

been maintained at 99.90 per cent as on 31 December, 2017 (Provisional). The company's 180+ DPD stood at 0.09% as on March 31, 2017 as against 'nil' as on March 31, 2016.

Comfortable profitability indicators: VASFPL's net interest margins (NIMs) stood healthy at 25.75 per cent in FY2016-17 compared to 24.09 per cent in FY2015-16. The healthy NIMs have enabled the company to report a comfortable Return on Average Asset (ROAA) of 5.23 per cent in FY2016-17 as against 3.13 per cent in FY2015-16. VASFPL is expected to maintain a healthy profitability due to lower cost on proposed external borrowings.

Weaknesses

Modest scale of operations: VASFPL's credit risk profile continues to be constrained by its modest scale of operations marked by an outstanding loan book of Rs.8.82 crore on 31st March, 2017 as compared to Rs.8.72 crore on 31st March, 2016. The outstanding loan book stood at Rs.9.25 crore as on 31st December 2017. The company's ability to grow its loan book while maintaining its asset quality shall be vital in improving its credit profile.

Geographical concentration: The company's loan portfolio is also exposed to risks associated with the high degree of geographical concentration arising out of its limited branch spread. The trust has three branches operating in Tamil Nadu and one in Puduchery. VASFPL's ability to geographically diversify its loan portfolio by increasing its branch spread shall be a key rating sensitivity.

Analytical approach:

SMERA has considered the standalone financial and business risk profiles of VASFPL.

Outlook – Stable

SMERA believes that VASFPL will maintain a Stable outlook over the medium term on account of its experienced management, healthy asset quality and comfortable capitalization levels. The outlook may be revised to 'Positive' in case of sustained increase in loan book while maintaining its asset quality. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability indicators.

About the Rated Entity - Key Financials

	Unit	FY17	FY16	FY15
Total Assets	Rs. Cr.	8.82	8.70	4.66
Total Income	Rs. Cr.	2.41	1.76	1.60
PAT	Rs. Cr.	0.49	0.28	0.24
Net Worth	Rs. Cr.	9.40	8.90	8.62
Return on Assets (RoA)	(%)	5.23	3.13	5.35
Return on Net Worth(RoNW)	(%)	5.41	3.22	5.49
Total Debt/Tangible Net Worth (Gearing)	Times	-	-	-
Gross NPA	(%)	0.00	0.00	0.00
Net NPA	(%)	0.00	0.00	0.00

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Non - Banking Financing Entities - <https://www.smera.in/criteria-nbfc.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

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 (Rs. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB-/ Stable (Assigned)

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ABOUT SMERA

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