

Press Release

Chaitanya India Fin Credit Private Limited

March 12, 2018

Rating Reaffirmed



| | |
|-------------------------------------|------------------------------------------------|
| Total Bank Facilities Rated* | Rs. 25.00 Cr. (Enhanced from Rs. 20.00 Cr.) |
| Long Term Rating | SMERA BBB- / Outlook: Stable (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long term rating of **'SMERA BBB-' (read as SMERA BBB minus)** to the above mentioned bank facilities of Chaitanya India Fin Credit Private Limited (Chaitanya). The outlook is **'Stable'**.

Chaitanya, established in 2009, is a Karnataka-based non-deposit taking NBFC-MFI. Chaitanya started microfinance operations in October 2009 under the Joint Liability Group (JLG) model. The company ventured into advancing gold loans and two-wheeler loans in FY2011-12. Chaitanya operates through 100 branches across 23 districts in Karnataka & Maharashtra. The company is promoted by Mr. Anand Rao (Managing Director) and Mr. Samit S. Shetty (Executive Director).

Key Rating Drivers

Strengths

- **Established track record of operations along with experienced management**

Chaitanya has well qualified promoters. Mr. Anand Rao has done post-graduation from IIT (Bombay) and Mr. Samit S. Shetty has done MBA from IIM (Ahmedabad). Promoters are ably supported by other board members having long experience in financial service sector.

- **Adequate capitalization and liquidity profile**

The capital adequacy stood at 20.68 per cent as on December, 2017 as compared to 21.86 per cent per cent as on 30 September, 2016. The company has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans is about 24 months, whereas the bank funding typically has tenure of about 24-48 months. Going ahead, SMERA expects the liquidity of the company to remain comfortable given the matched tenure of assets and liabilities.

- **Moderate Profitability**

CIFCPL's Net Interest Margin (NIM) improved to 11.43 per cent in FY2017 from 7.23 per cent in FY2016. The return on average assets (RoAA) stands weak at 0.48 per cent as on 31 March 2017 as against 0.85 percent in the previous year. This is mainly due to relatively high operating expense ratio of 11.5 percent in FY2017 as against 8.9 percent in the previous year, arising from higher employee and collection expenses in addition to the provisioning cost. The company reported Profit after Tax (PAT) of Rs.1.23 crore on operating income of Rs. 58.90 crore in FY2017 against PAT of Rs. 1.49 crore on Rs. 32.97 Crore in FY2016.

Weaknesses

• **Geographic concentration along with intense competition in the industry**

The entire portfolio is concentrated in the states of Karnataka and Maharashtra. Hence; Chaitanya is susceptible to portfolio/geographical concentration coupled with socio-political risk. Further, the company operates in areas where there is presence of other MFIs such as 'Janalakshmi Financial Services Private Limited', 'SKS Microfinance Limited', 'Grameen Financial Services Private Limited (Grameen Koota)', etc.

Analytical Approach

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

Outlook: Stable

SMERA believes that outlook for CIFCPL will remain stable over medium term on the account of management's experience in the rice milling business. The outlook may be revised to Positive if the company achieves higher than expected revenue while maintaining effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant deterioration in the financial risk profile

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Total Assets | Rs. Cr. | 299.93 | 212.27 | 139.42 |
| Total Income | Rs. Cr. | 31.02 | 17.85 | 9.74 |
| PAT | Rs. Cr. | 1.23 | 1.49 | 0.84 |
| Networth | (%) | 47.13 | 25.90 | 24.41 |
| Return on Assets (ROA) | (%) | 0.48 | 0.85 | 0.82 |
| Return on Net worth (RoNW) | (%) | 3.36 | 5.92 | 4.30 |
| Total Debt/Tangible Net Worth | Times | 5.13 | 6.80 | 4.60 |

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

Not applicable

Any other information

Not applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Facilities | Amount | Ratings/Outlook |
|-------------------|----------------------|--------|------------------------------------------------------|
| 29 December, 2017 | 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) |
| 18 June, 2015 | Term Loan I | 16.50 | SMERA BB+ (Assigned) |
| | Term Loan II | 3.00 | SMERA BB+ (Assigned) |
| | Term Loan (Proposed) | 0.50 | SMERA BB+ (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 |
|------------------------|------------------|----------------|----------------|-----------------------------|----------------------------------|
| Fund Based (Proposed) | Not Applicable | Not Applicable | Not Applicable | 25.00 | SMERA BBB- / Stable (Reaffirmed) |

Contacts

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ABOUT SMERA

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