

Press Release

Adi Chitragupta Finance Limited

March 09, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	100.00	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 100.00 crore bank facilities of Adi Chitragupta Finance Limited (ACFL). The outlook is revised from '**Stable**' to '**Positive**'.

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 100.00 crore bank facilities of Adi Chitragupta Finance Limited (ACFL). The outlook is '**Positive**'.

Rating Rationale

The revision in outlook is on account of improvement in scale of operations and earnings profile while maintaining healthy asset quality. ACFL's AUM grew from Rs 102.20 Cr as on March 31, 2021 to Rs 202.43 Cr as on March 31, 2022 on account of healthy disbursements. The AUM further grew to Rs 238.43 Cr as on December 31, 2022. The revision takes in to account healthy asset quality marked by its on time portfolio at 99.06 percent as on December 31, 2022. ACFL has been able to maintain adequate capitalisation levels with CRAR being at 27.51 percent as on December 31, 2022. ACFL has shown consistent improvement in disbursement volumes and profitability metrics. ACFL's PAT stood at Rs 7.42 Cr. for 9MFY23 as compared to Rs 2.89 Cr. for FY2022. These strengths are partly offset by the geographical concentration in its lending portfolio (Bihar accounting for 96 percent of the total portfolio as on December 31, 2022) and risks inherent to microfinance sector.

Going forward, ACFL should be able to leverage on its established presence in its area of operations and further augment its scale of operations while maintaining profitability parameters.

About the company

Bihar based Adi Chitragupta Finance Limited (ACFL) is a non-deposit taking Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI). Incorporated in 2015, the company was founded by Mr. R.K Sinha and Mr. Gyan Mohan and commenced its operation in 2017. Mr. R.K Sinha is the founder of Security & Intelligence Services (India) Limited known as SIS Group and Mr. Gyan Mohan is an ex-banker with exposure in Banking and finance, including investment and international banking. ACFL extends micro-credit primarily to women borrowers through the Joint Liability Group (JLG) model. The company operates in the states

of Bihar, Jharkhand and Uttar Pradesh through a network of 67 branches across 38 districts as on December 31, 2022.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced management and established presence in area of operations

ACFL commenced its micro-finance operations in 2017, extending micro-credit to women borrowers engaged in income-generating activities under Joint Liability Group (JLG) model. The company caters to the rural and semi-urban areas of Bihar and Jharkhand. ACFL focuses on providing financial assistance by way of providing micro-credit to the poor and underprivileged women in the society who are engaged in some income-generating activities. The company commenced its operations in Bihar and has expanded its presence in Jharkhand and Uttar Pradesh with a network of 67 branches across 38 districts with a loan portfolio of Rs. 238.43 crore as on December 31, 2022.

ACFL was founded by Mr. R.K Sinha and Mr. Gyan Mohan. Mr. R.K Sinha (Director) is an entrepreneur and founder of Security & Intelligence Services (India) Limited (SIS). SIS Group is one of the leaders in the manpower security business in the Asia-Pacific. Mr. Gyan Mohan (Director and CEO) is an ex-banker and has around three decades of experience in the banking and finance sector, including investment and international banking. He has worked with SBI Capital Market as SVP & GH (Mergers & Acquisitions & Advisory) and has advised on many privatizations, mergers and advisory assignments. Mr. Mohan is governing board member of Microfinance Institutions Network (MFIN) and is the chairman of Task Force on Small & Medium MFIs and also an active member of Task Force on Credit Bureau at MFIN. The promoters are also supported by other board members like Mr. A. P. Verma (ex-Managing Director and CEO at SBI Capital Markets Limited), who has over three decades of experience and has held varied senior positions at State Bank of India. Mr. Neelmani, a former IPS officer of batch 1975. Mr. D.K. Saxena who has over four decades of experience in the field of Audit, Taxation, Textiles, Power and Banking/NBFC sectors and has served as a Director and Chairman of the Audit Committee of Syndicate Bank. The extensive experience of the board has helped ACFL put in place robust systems and procedures. The company has in place an automated loan processing system which operates on CBS & CRM provided by BR.Net from Craft Silicon on Software as a Service (SaaS) platform. Acuité believes that ACFL will continue to benefit from its established systems and processes and the extensive experience of its promoters in financial services.

Healthy asset quality; Adequate capitalisation levels

The asset quality is healthy marked by its on time portfolio at 99.06 percent as on December 31, 2022. This improvement is supported by healthy collections characterized by the company, where collection efficiency for current month due stood at an average of 99.36 percent for 6 months ended December 31, 2022. ACFL's capital adequacy ratio is comfortable at 27.51 percent (Tier 1: 17.69 percent) as on December 31, 2022.

Acuité believes that going forward the ability of the company to maintain sound asset quality and adequate capitalisation levels will be key rating sensitivity.

Improvement in Scale of Operations & Financial Risk Profile

The company's loan portfolio rose to Rs. 238.43 crore as on December 31, 2022 as compared to Rs. 202.43 crore as on March 31, 2022 and Rs. 102.20 crore as on March 31, 2021. The growth in AUM was on account of healthy disbursements during FY2022 (Rs 209.84 Cr.) and 9MFY23 (Rs. 194.49 Cr) respectively. Consequently, ACFL's profitability has improved significantly during 9MFY23. The company saw an increase in its Net Interest Income to Rs. 33.96 crore in 9MFY23.

from Rs. 25.01 crore in FY2022 (Rs 16.16 crore in FY2021). This led to improvement in PAT to Rs. 7.42 crore in 9MFY23 as against Rs. 2.89 crore in FY2022.

Acuité believes that the growth in AUM on account of increasing disbursements will be a key factor in the scalability of a business while maintaining the profitability.

Weakness

Risks inherent to microfinance segment; Geographical concentration

The activities of microfinance companies like ACFL are exposed to concentration risks. ACFL has a presence in 3 states with a concentration in Bihar (~96.41percent), Jharkhand (~2.40 percent) and Uttar Pradesh (1.19 percent) of total portfolio as on December 31, 2022. In Bihar, ACFL's top 10 districts contributed Rs. 160.16 crore (~67.17 percent) to the total AUM as on December 31, 2022. While the geographical diversity in the state of Bihar has improved, the business risk profile will be strengthened in case of further geographical diversification of the portfolio. While the company mostly focuses on rural areas, the company's performance is expected to remain exposed to the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework.

Acuité believes that constraining additional slippages while scaling up geographically will be crucial.

Rating Sensitivity

- Movement in asset quality
- Movement in profitability metrics
- Diversification in geographical profile
- Changes in the regulatory environment

Material Covenants

None

Liquidity Position

Adequate

ACFL liquidity profile remained comfortable as on September 30, 2022 with no negative cumulative mismatches in any of the buckets as per the reported liquidity statement. ACFL has cash and bank balances of Rs. 16.59 crore as on December 31, 2022. The company raised fresh debt of Rs 121 Cr during 9MFY23.

Outlook - Positive

Acuité believes that ACFL will maintain a 'Positive' outlook over the near to medium supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The rating could be upgraded in case of higher than expected growth in the loan portfolio while maintaining asset quality and profitability. The outlook may be revised to 'Stable' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

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Particulars	Unit	FY22(Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	210.40	106.09
Total Income*	Rs. Cr.	14.97	9.25
PAT	Rs. Cr.	2.89	1.06
Networth	Rs. Cr.	36.96	24.00
Return on Average Assets (RoAA)	(%)	1.83	1.09
Return on Net Worth (RoNW)	(%)	9.49	4.47
Total Debt/Tangible Net Worth (Gearing)	Times	4.55	3.27
Gross NPA's	(%)	0.74	0.05
Net NPA's	(%)	0	0

* Total income equals to Net interest income plus other income

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Term Loan	Long Term	0.21	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	11.52	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)

06 Jan 2022	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.27	ACUITE BBB- Stable (Reaffirmed)
28 Dec 2021	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
29 Sep 2020	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	10 Aug 2022	Not Applicable	31 Aug 2023	Simple	5.00	ACUITE BBB- Positive Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	47.39	ACUITE BBB- Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.19	ACUITE BBB- Positive Assigned
State Bank of India	Not Applicable	Term Loan	21 Jan 2021	9.15	31 Jan 2024	Simple	4.84	ACUITE BBB- Positive Reaffirmed Stable to Positive
Small Industries Development Bank of India	Not Applicable	Term Loan	10 Mar 2022	8.75	10 Mar 2023	Simple	1.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
State Bank of India	Not Applicable	Term Loan	31 Jan 2022	Not available	31 Jan 2024	Simple	10.24	ACUITE BBB- Positive Reaffirmed Stable to Positive
Canara Bank	Not Applicable	Term Loan	24 Sep 2021	Not available	30 Sep 2024	Simple	5.75	ACUITE BBB- Positive Reaffirmed Stable to Positive
Punjab National Bank	Not Applicable	Term Loan	17 Nov 2021	Not available	31 Dec 2024	Simple	14.55	ACUITE BBB- Positive Reaffirmed Stable to Positive
Indian Bank	Not Applicable	Term Loan	20 Sep 2021	Not available	30 Sep 2024	Simple	11.65	ACUITE BBB- Positive Reaffirmed Stable to Positive
								ACUITE BBB-

Bank of Baroda	Not Applicable	Term Loan	24 Sep 2021	Not available	30 Sep 2023	Simple	4.58	Positive Reaffirmed Stable to Positive
Canara Bank	Not Applicable	Term Loan	28 Sep 2022	Not available	31 Jan 2025	Simple	7.50	ACUITE BBB- Positive Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	10 Mar 2022	Not available	10 Mar 2025	Simple	4.17	ACUITE BBB- Positive Assigned
Indian Overseas Bank	Not Applicable	Term Loan	27 May 2022	Not available	26 May 2025	Simple	8.48	ACUITE BBB- Positive Assigned
Union Bank of India	Not Applicable	Term Loan	30 Aug 2022	Not available	30 Sep 2024	Simple	19.17	ACUITE BBB- Positive Assigned
State Bank of India	Not Applicable	Term Loan	10 Aug 2022	Not available	31 Dec 2024	Simple	29.06	ACUITE BBB- Positive Assigned
State Bank of India	Not Applicable	Term Loan	10 Aug 2022	Not available	30 Apr 2025	Simple	23.43	ACUITE BBB- Positive Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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