



Press Release
Adi Chitragupta Finance Limited
August 02, 2023
Rating Upgraded

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

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 200.00 crore bank facilities of Adi Chitragupta Finance Limited (ACFL). The outlook is revised from '**Positive**' to '**Stable**'.

Rationale for the rating

The rating upgrade reflects improvement in scale of operations and earnings profile along with healthy asset quality parameters. ACFL's AUM grew from Rs. 202.43 Cr. as on March 31, 2022 to Rs 295.14 Cr. as on March 31, 2023 as a result of healthy disbursements for the period. The asset quality remained healthy marked by its on time portfolio at 99.51 percent as on Mar 31, 2023. ACFL has been able to maintain adequate capitalisation levels with CRAR being at 27.68 percent as on Mar 31, 2023. The company has shown consistent improvement in disbursal volumes and profitability metrics. ACFL's PAT stood at Rs 11.46 Cr. for FY23 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 95 percent of the AUM as on Mar 31, 2023) 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 would be a key rating monitorable.

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 73 branches across 43 districts as on Mar 31, 2023.

Analytical Approach

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

Key Rating Drivers

Strength
Experienced management

AFCL 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.

Healthy portfolio growth while maintaining asset quality

The company's loan portfolio outstanding grew significantly to Rs. 295.14 Cr as on March 31, 2023 as compared to Rs. 202.43 Cr as on March 31, 2022. The company disburses loans to women entrepreneurs in income generation activities, with the average ticket size ranging between Rs. 20,000 to Rs 50,000. The average tenure of these unsecured loans range between 18 to 24 months. ACFL has demonstrated sound asset quality marked by on-time portfolio of 99.51 percent as on March 31, 2023. The company has structured inherent checks for effective risk management that include lending policy, underwriting process, and dedicated due diligence team, which helps to maintain asset quality. ACFL reported GNPA of 0.42 percent and nil NNPA as on March 31, 2023. The company's overall collection efficiency averages 91.90 percent for last 6 month ended March-23. ACFL's capital adequacy ratio is comfortable at 27.68 percent (Tier 1: 19.85 percent) as on Mar 31, 2023.

Improvement in profitability parameters

ACFL's profitability has improved significantly during FY23 as reflected by increase in Net Interest Income to Rs. 28.51 crore in FY2023 from Rs. 13.72 crore in FY2022. This led to improvement in PAT to Rs. 11.46 crore in FY23 as against Rs. 2.89 crore in FY2022. The RoAA improved from 1.83 percent for FY2022 to 4.49 percent for FY2023. The overall improvement in RoAA is also pertaining to controlled credit costs. The ability of the company to scale up its operations while maintaining profitability will remain a key monitorable.

Weakness

Modest capital structure

AFCL's networth as on FY23 stood at Rs. 57.25 Cr. (P.Y: Rs. 36.96 Cr.). The company infused capital to the tune of Rs. 10 Cr. during FY23 to aid its existing capital base. However, the gearing levels remained modest at 4.1 times as on FY23 (P.Y: 4.55 times). The company's total debt remained at Rs. 234.89 Cr. Acuité believes that the timeliness of capital infusion will be critical in the attaining business growth and in turn improve the overall financial risk profile of the company.

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 (~94.90 percent), Jharkhand (~2.99 percent) and Uttar Pradesh (2.11 percent) of total portfolio as on Mar 31, 2023. 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.

Rating Sensitivity

- Movement in asset quality and profitability metrics
- Movement in gearing levels
- Increase in scale of operations
- Diversification in geographical profile
- Changes in the regulatory environment

Material Covenants

None

Liquidity Position

Adequate

ACFL liquidity profile remained comfortable as on Mar 31, 2023 with no negative cumulative mismatches in any of the buckets as per the reported liquidity statement.

Outlook: Stable

Acuité believes that ACFL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher-than-expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' 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

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	300.11	210.40
Total Income*	Rs. Cr.	31.88	14.97
PAT	Rs. Cr.	11.46	2.89
Net Worth	Rs. Cr.	57.25	36.96
Return on Average Assets (RoAA)	(%)	4.49	1.83
Return on Average Net Worth (RoNW)	(%)	24.33	9.49
Total Debt/Tangible Net worth (Gearing)	Times	4.1	4.55
Gross NPA	(%)	0.42	0.74
Net NPA	(%)	0	0

*Total income equals to Net Interest Income plus other income

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

None

Any other information

None

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
09 Mar 2023	Proposed Bank Facility	Long Term	3.19	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	8.48	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	7.50	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	4.84	ACUITE BBB- Positive (Reaffirmed)
	Proposed Bank Facility	Long Term	47.39	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	29.06	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	19.17	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	5.75	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	14.55	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	10.24	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	4.17	ACUITE BBB- Positive (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	4.58	ACUITE BBB- Positive (Reaffirmed)
	Term Loan	Long Term	23.43	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	11.65	ACUITE BBB- Positive (Reaffirmed)
06 Jan 2022	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)
	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		Long		ACUITE BBB- Stable (Upgraded from

2020	Term Loan	Term	20.00	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 Stable Upgraded Positive to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE BBB Stable Upgraded Positive to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.19	ACUITE BBB Stable Upgraded Positive to Stable
Indian Overseas Bank	Not Applicable	Term Loan	21 Mar 2023	Not available	28 Mar 2026	Simple	7.00	ACUITE BBB Stable Upgraded Positive to Stable
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE BBB Stable Upgraded Positive to Stable
State Bank of India	Not Applicable	Term Loan	10 Aug 2022	Not available	31 Dec 2024	Simple	26.50	ACUITE BBB Stable Upgraded Positive to Stable
State Bank of India	Not Applicable	Term Loan	10 Aug 2022	Not available	30 Apr 2025	Simple	21.53	ACUITE BBB Stable Upgraded Positive to Stable
Canara Bank	Not Applicable	Term Loan	28 Sep 2022	Not available	31 Jan 2025	Simple	6.88	ACUITE BBB Stable Upgraded Positive to Stable
Small Industries Development Bank of India	Not Applicable	Term Loan	10 Mar 2022	Not available	10 Mar 2025	Simple	4.00	ACUITE BBB Stable Upgraded Positive

								to Stable
Indian Overseas Bank	Not Applicable	Term Loan	27 May 2022	Not available	26 May 2025	Simple	7.88	ACUITE BBB Stable Upgraded Positive to Stable
Union Bank of India	Not Applicable	Term Loan	30 Aug 2022	Not available	30 Sep 2024	Simple	17.50	ACUITE BBB Stable Upgraded Positive to Stable
State Bank of India	Not Applicable	Term Loan	21 Jan 2021	Not available	31 Jan 2024	Simple	3.92	ACUITE BBB Stable Upgraded Positive to Stable
Small Industries Development Bank of India	Not Applicable	Term Loan	10 Mar 2022	Not available	10 Mar 2023	Simple	1.00	ACUITE BBB Stable Upgraded Positive to Stable
State Bank of India	Not Applicable	Term Loan	31 Jan 2022	Not available	31 Jan 2024	Simple	8.51	ACUITE BBB Stable Upgraded Positive to Stable
Canara Bank	Not Applicable	Term Loan	24 Sep 2021	Not available	30 Sep 2024	Simple	4.90	ACUITE BBB Stable Upgraded Positive to Stable
Punjab National Bank	Not Applicable	Term Loan	17 Nov 2021	Not available	31 Dec 2024	Simple	12.73	ACUITE BBB Stable Upgraded Positive to Stable
Indian Bank	Not Applicable	Term Loan	20 Sep 2021	Not available	30 Sep 2024	Simple	9.72	ACUITE BBB Stable Upgraded Positive to Stable
Bank of Baroda	Not Applicable	Term Loan	24 Sep 2021	Not available	30 Sep 2023	Simple	3.74	ACUITE BBB Stable Upgraded Positive to Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Akancha Singh Analyst-Rating Operations Tel: 022-49294065 akancha.singh@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.