

Press Release

Vector Finance Private Limited

December 30, 2019

Rating Assigned



Instruments Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.50.00 crore bank facilities of Vector Finance Private Limited (VFPL). The outlook is '**stable**'.

Odisha based, Vector Finance Private Limited (VFPL) was incorporated in November 2018. It is a RBI registered Non-Banking Finance Company – Micro-Financial Institution (NBFC-MFI). VFPL is promoted by Mr Rahul Johri, Mr Sumit Sharma and Mr Prasanta Kumar Sahu to extend micro credit to women borrowers in semi urban and rural areas for income generating activities through joint liability group (JLG) model. The operations of VFPL are spread across 44 districts of six states namely, Odisha, Assam, West Bengal, Madhya Pradesh, Chhattisgarh and Tripura through a network of 86 branches as on September 2019.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Vector Finance Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

• Experienced management:

VFPL was promoted by Mr Rahul Johri, Mr Sumit Sharma and Mr Prasanta Kumar Sahu, who are ex-bankers with exposure in Banking and financial services including strategy, operations, personnel management and micro finance. Mr. Johri has over three decades experience in BFSI segment through various senior management roles in Bandhan Bank, Standard Chartered Bank, Barclays Bank and DBS Bank. Mr Sahu has ~16 years of experience in Microfinance operations in India. He was instrumental in setting up the microfinance business for Axis Bank, he has also been associated with Bandhan Bank and SIDBI. Mr Sharma has over two decades experience in personnel management of HSBC Bank, DBS Group, Genpact and Jana Small Finance Bank. The company has put in place a second line of management who have over a decades experience in microfinance lending and operations. VFPL commenced operations from January 2019 as a business correspondent for MAS financials Pvt. Ltd., subsequently it began building its own portfolio from August, 2019. VFPL had Assets under Management (AUM) of Rs. 53.12 crore as on September 30, 2019 (Rs. 4.82 crore as on March 31, 2019) over the past eight months ending September 30, 2019, VFPL has expanded its branch network to 86 branches which are spread across 44 districts in six states of Odisha, Assam, West Bengal, Madhya Pradesh, Chhattisgarh and Tripura.

Acuité believes that VFPL will continue to benefit from extensive experience of its promoters and management team to expand its operations and grow its loan portfolio.

Weaknesses

• Limited track record of operations; low seasoning of loan portfolio:

VFPL commenced its operations in 2019 with Odisha as its key area of operations. Its loan book stood at Rs. 53.12 crore as on September 30, 2019 as against Rs. 4.82 crore as on March 31, 2019, mainly on account of increase in disbursements of Rs. 58.03 crore during H1FY20. Its operations are spread across 86 branches over 44 districts as on September 30, 2019. Since the company is in the initial stages of its growth cycle major part of its loan portfolio is yet to be adequately seasoned.

Acuite believes the company's ability to scale up its operations across diverse geographies and maintain healthy asset quality consistently will be critical key credit monitorable.

• Risk inherent to microfinance segment:

The activities of microfinance companies, like VFPL are exposed to risk inherent to microfinance segment. VFPL has presence in six states, namely, Odisha, Assam, West Bengal, Madhya Pradesh, Chhattisgarh and Tripura. As on September 30, 2019, Odisha and Assam together constitutes ~76 percent of its AUM. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, 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

- Scaling up of operations, while maintaining asset quality.
- Deterioration in financial risk profile and liquidity position.

Material Covenants

None

Liquidity Position: Adequate

As per the asset liability management (ALM) statement as on September 30, 2019, VFPL has positive cumulative mismatch in all of its maturity buckets. The company is in initial stage of operations and hence the loan portfolio mostly funded through equity and is in the process of raising debt from banks. Further, the company's liquidity position is supported by unutilised bank facilities of Rs.6.00 crore to meet business needs or in case of any mismatches.

Outlook: Stable

Acuite believes that VFPL will maintain a 'Stable' outlook over the medium term supported by its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of asset quality pressures and deterioration in profitability metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	23.02	-	-
Total Income (Net of Interest Expense)	Rs. Cr.	0.23	-	-
PAT	Rs. Cr.	-0.65	-	-
Net Worth	Rs. Cr.	22.89	-	-
Return on Average Assets (RoAA)	(%)	-5.62	-	-
Return on Average Net Worth (RoNW)	(%)	-5.65	-	-
Total Debt/Tangible Net Worth (Gearing)	Times	0.00	-	-
Gross NPAs	(%)	0.00	-	-
Net NPAs	(%)	0.00	-	-

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed term loan	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BB / Stable (Assigned)

Contacts

Analytical	Rating Desk
Vinayak Nayak Vice President – Rating Operations Tel: 022-49294071 vinayak.nayak@acuite.in Pravin Mule Analyst - Rating Operations Tel: 022-49294063 pravin.mule@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294021 rating.desk@acuite.in

About Acuité Ratings & Research:

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