

Press Release

Vector Finance Private Limited

December 22, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating for Rs. 50.00 Cr. bank facilities of Vector Finance Private Limited from **"ACUITE BB-" (read as ACUITE double B minus)** to **"ACUITE BB" (read as ACUITE double B)**. The outlook is **'Stable'**.

Rationale for the rating

The rating upgrade takes into consideration the increase in disbursements and AUM. The disbursements increased from Rs. 141.50 Cr. in FY21 to Rs. 397.10 Cr. in FY22 and Rs. 204.10 Cr. as on September 2022. The increased disbursements have led to an increase in AUM, which stood at Rs. 414.28 Cr. as on March 31, 2022 as against Rs. 154.06 Cr. on March 31, 2021. The AUM further improved to Rs. 478.79 Cr. as on September 2022. The rating further factors in the improved financial performance of the company. The company made a profit of Rs. 0.84 Cr. in FY22 after two continuous years of loss. As on September, 2022, the profit stood at Rs. 3.14 Cr..

The rating is partially offset by the higher concentration of the off book portfolio, geographical concentration and moderate asset quality of the portfolio. ~97 percent of the AUM (as on September, 2022), consist of the off book portfolio. The company has higher geographical concentration in Odisha, Tripura and Madhya Pradesh as ~76 percent (as on September, 2022) of the portfolio originated from there. The company has moderate asset quality as the GNPA of the company stood at 2.54 percent as on September, 2022 which declined from 1.30 percent in March, 2022. The GNPA as on March, 2021 was 1.39 percent. Moving forward, The company's ability to increase its AUM while improving the profits and asset quality will be key monitorables

About the company

Odisha based Vector Finance Private Limited (VFPL) was incorporated in November 2018. It is an RBI registered Non-Banking Finance Company – Micro-Financial Institution (NBFC-MFI). VFPL is promoted by Mr Rahul Johri 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 74 districts of six states, namely Odisha, Assam, West Bengal, Madhya Pradesh, Chhattisgarh and Tripura through a network of 147 branches as on September 30, 2022.

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

Strength

Experienced management:

VFPL is promoted by Mr Rahul Johri and Mr Prasanta Kumar Sahu, who are ex-bankers with exposure to Banking and financial services including strategy, operations, personnel management and micro finance. Mr. Johri has nearly 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 about sixteen years of experience in Microfinance operations in India. He was instrumental in setting up the microfinance business for Axis Bank and has also been associated with Bandhan Bank and SIDBI. The company has put in place a second line of management who have experience of nearly a decade in microfinance lending and operations.

VFPL commenced operations from January 2019 as a business correspondent, subsequently, it began building its own portfolio from August, 2019. As on September, 2022, VFPL does business correspondence with five financial institutions, along with growing the own book portfolio.

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.

Growth in disbursements and AUM

VFPL's AUM improved to Rs. 478.79 Cr. as on September, 2022 from Rs. 414.28 Cr. as on March, 2022 and Rs. 154.06 Cr. in March, 2021. The improvement in AUM was aided by the increase in disbursements, which stood at Rs. 204 Cr. as on September, 2022. The disbursements for FY 2022 stood at Rs. 397.10 Cr. as against Rs. 141.50 Cr. in FY 2021. The growth in AUM is further aided by the growth in the off book portfolio of the company, which is 97 percent of the total AUM of the company.

Moving forward, VFPL's ability to increase its AUM while improving the own book portfolio will be key monitorables.

Weakness

Moderate financial performance; Moderate asset quality

VFPL reported a moderate PAT of Rs. 0.84 Cr. in FY2022 after two continuous financial years of losses of Rs.9.14 Cr. in FY2021 and Rs. 9.20 Cr. in FY2020. The PAT has further improved to Rs. 3.14 Cr. in September, 2022. The networth of the company increased to Rs. 18.23 Cr. as on March, 2022 from Rs. 8.39 Cr. as on March, 2021 and the CAR stood at 46.55 percent as on September, 2022 as against 70.75 percent as on March, 2022 and 46.66 percent as on March, 2021.

VFPL has moderate asset quality as the GNPA as on September, 2022 stood at 2.54 percent, which declined from 1.30 percent as on March, 2022 and 1.39 percent as on March, 2021. The portfolio contains ~2 percent of restructured accounts. The NPAs from the restructured accounts form ~53 percent of the GNPA.

Acuité believes that VFPL's ability of to scale up its operations while demonstrating sustainable improvement in its overall financial performance and asset quality will be key credit monitorables.

Moderate geographic concentration ; risk inherent to microfinance segment

VFPL expanded its operations to six states with a network of 147 branches across 74 districts as on September, 2022 from one state with a network of 20 branches across 59 districts as on March 31,2019. As on September, 2022, Odisha and Tripura together constituted ~56 % of its AUM and Madhya Pradesh accounts for another ~20 percent of the portfolio. This exposes

the company to high geographical concentration risk besides risks inherent in microfinance segment. 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.

Acuité believes that moderate geographical concentration of its portfolio will continue to weigh on its credit profile over the near to medium term.

Rating Sensitivity

- Scaling up of operations with sustainable improvement in financial risk profile
- Adverse movement in Capital adequacy levels owing to credit slippages
- Deterioration in liquidity position
- Rise in asset quality pressures
- Increase in geographic concentration
- Changes in regulatory environment governing microfinance activities

Material Covenants

VFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position

Adequate

VFPL's liquidity profile remains adequate with no negative cumulative mismatches in the near to medium term as per ALM dated March 31, 2022. The company's unencumbered cash and cash equivalents stood at Rs.2.28 Cr. as on March 31, 2022 and its debt obligations for the next twelve months stood at ~Rs.15.16 Cr. as against the expected collection of ~Rs.14.72 Cr. during the same period. Acuité believes that the adequacy of liquidity profile will also hinge on funding support from promoters/lenders.

Outlook : Stable

Acuité 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 with sustainable improvement in financial risk profile. 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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY2022 (Actual)	FY2021 (Actual)
Total Assets	Rs. Cr.	38.74	25.49
Total Income (Net of Interest Expense)	Rs. Cr.	22.77	7.44
PAT	Rs. Cr.	0.84	(9.14)
Net Worth	Rs. Cr.	18.23	8.39
Return on Average Assets (RoAA)	(%)	2.61	(28.46)
Return on Average Net Worth (RoNW)	(%)	6.29	(79.74)
Total Debt/Tangible Net Worth (Gearing)	Times	0.93	1.72
Gross NPAs	(%)	1.30%	1.39%
Net NPAs	(%)	1.13%	1.27%

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

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
30 May 2022	Term Loan	Long Term	0.35	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	2.33	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	2.68	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.53	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.88	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.25	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.99	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.95	ACUITE BB- (Issuer not co-operating*)
	Proposed Term Loan	Long Term	36.35	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	2.41	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.28	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.14	ACUITE BB- (Downgraded and Withdrawn)
	Term Loan	Long Term	2.41	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.25	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.53	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)

22 Mar 2021	Term Loan	Long Term	0.35	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	2.33	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	36.35	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.28	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	2.68	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.99	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.88	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.95	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
30 Dec 2019	Proposed Term Loan	Long Term	50.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB Stable Upgraded (from ACUITE BB-)

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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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