

Press Release

Varashakti Housing Finance Private Limited

April 10, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	110.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 110.00 Cr. bank facilities of Varashakti Housing Finance Private Limited (VHFPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 40.00 Cr. bank facilities of Varashakti Housing Finance Private Limited (VHFPL). The outlook is '**Stable**'.

Rationale for the rating

The rating factors in extensive experience of VHFPL's management in lending segment and the institutional support. The promoters have supported VHFPL through funding via equity and debt which has enabled the company to maintain healthy capital structure while scaling up its operations. The promoter group have infused around Rs. 5 Cr. in FY2022-23. VHFPL has maintained healthy capital structure with Capital Adequacy Ratio (CAR) of ~ 54.87 percent and gearing of 2.29 times as on December 31, 2022. Acuite believes that the company is well positioned to benefit from the demand for housing finance and centralized in-house credit appraisal/ monitoring processes. The rating also factors in growth in AUM and Disbursements. The company's AUM stood at Rs. 96.37 Cr. as on December 31, 2022, Rs. 63.21 Cr. as on March 31, 2022 and Rs 41.05 Cr. as on March 31, 2021. VHFPL disbursed loans amounting to Rs 45.66 Cr till December-2022, Rs 32.22 Cr. during FY2021-22 and Rs 15.17 Cr. during FY2019-20. As on December 31, 2022 VHFPL had healthy asset quality marked by on-time portfolio of ~92.34 percent and GNPA and NNPA at 2.49 percent and 1.87 percent respectively. Given the nascent stage of company's operations, the rating is constrained by the modest scale of operations and relatively low seasoning of the loan portfolio. Also, the business operations are geographically concentrated in Tamil Nadu. The rating is also constrained by inherent risks associated with lending in this segment.

Going forward, the company's ability to raise additional capital and profitably scale up its business operations shall remain key monitorable.

About the company

Tamil Nadu based VHFPL operates in the affordable housing segment essentially catering to the housing finance needs of Economically Weaker Section (EWS) and Low Income Group (LIG). It also offers unsecured Home improvement loans. VHFPL commenced its lending

operations in June 2019 and is promoted by Mr. C.V. Sankar and his family members through their trust and companies having a total promoter shareholding of 57.17 percent as on December 31, 2022. VHFPL is led by Mr. CV Sankar and is supported by seasoned professionals. VHFPL operates in Tamil Nadu through a network of 25 branches spread across 21 districts. The company is also present in Karnataka and Andhra Pradesh.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced management and comfortable capitalization levels

Varashakti Housing Finance Private Limited (VHFPL) operates in the affordable housing segment essentially catering to the housing finance needs of Economically Weaker Section (EWS) - household income less than Rs. 3 lakhs per annum and Low-Income Group (LIG) – household income between Rs. 3 lakhs per annum and Rs. 6 lakhs per annum. It also offers unsecured Home improvement loans (Ticket size upto Rs.1.5 Lakh). VHFPL is promoted by Mr. C.V. Sankar and his family through their trust and other companies having total promoter shareholding of 57.17 percent as on December 31, 2022. VHFPL is led by Mr. C.V. Sankar (ex- IAS officer) who has held several positions such as Secretary, Principal Secretary and Additional Chief Secretary for Government of Tamil Nadu and is supported by seasoned professionals like Mr. Ramanath Dash as Independent Director who has over two decades of experience having served Reverse Bank of India as a Regional Director for the states of Andhra Pradesh and Telangana. The company operates in Tamil Nadu and has presence in Andhra Pradesh & Karnataka . The company's capital structure is supported by a network which stood at Rs 31.89 Cr. as on February 28, 2023, and Rs 26.19 Cr. as on March 31, 2022. Growth in network is due to improvement in profitability metrics and infusion from promoters. The promoter group have infused around Rs. 5 Cr. in FY2022-23. The company's Capital Adequacy Ratio (CAR) stood at 54.87 percent as on December 31, 2022 and 68.54 percent as on March 31, 2022. The company's Capital Adequacy Ratio have reduced due to increase in risk weighted assets. The company's AUM stood at Rs 96.37 Cr. as on December 31, 2022 and Rs 63.21 Cr. as on March 31, 2022.

Acuité believes that the company will benefit from its experienced promoters and established presence in the financial services industry also, the comfortable capitalization levels will support its growth plans over the medium term.

Steady growth in business operations and healthy asset quality:

VHFPL commenced its lending operations in June 2019. The company's operations have grown with the company reporting an AUM of Rs 96.37 Cr. as on December 31, 2022 and Rs 63.21 Cr. as on March 31, 2022. This growth in AUM in recent period is driven by management's decision to increase its scale of operations. The company's asset quality is marked with an on-time portfolio of ~92.34 percent as on December 31, 2022 and supported with an average Overall collection efficiency of 79.59 percent for 12 months ended December 31, 2022. The GNPA & NNPA levels stood at 2.49 percent and 1.87 percent respectively as on December 31, 2022, and as 1.51 percent and 1.29 percent on March 31, 2022. The company has maintained healthy asset quality due to prudent underwriting policies.

Acuité believes that the company's ability to scale up its operations while maintaining asset quality given low seasoning will remain a key rating monitorable.

Weakness

Susceptible to inherent risks amidst relatively low seasoned portfolio and geographic concentration

VHFPL commenced its lending operations in June 2019 and made major disbursements since FY2020 & FY2021. VHFPL disbursed loans amounting to Rs 45.66 Cr till December-2022, Rs 32.22 Cr. during FY2021-22 and Rs 15.17 Cr. during FY2019-20. VHFPL's product portfolio comprises housing loans and loan against property having an average tenure of 10 years and home improvement loans having an average tenure of 2-2.5 years. The company's AUM stood at

Rs. 96.37 Cr. as on December 31, 2022, Rs. 63.21 Cr. as on March 31, 2022 and Rs 41.05 Cr. as on March 31, 2021. The product portfolio consists of the company consists of Home improvement loan (2.4%), Home Loan (59.20%), Loan against Property (29.0%) and short term business loan (9.40%). VHFPL operates in the state of Tamil Nadu with a network of 25 branches spread across 21 districts. The company has Presence in Karnataka and Andhra Pradesh. 98.60 percent of the loan portfolio is concentrated in Tamil Nadu, and this exposes the company towards the risk of geographic concentration in the state of Tamil Nadu. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting the credit profile of VHFPL.

Acuité believes that the company's modest scale of operations coupled with geographic concentration in the will continue to weigh on the company's credit profile over the near to medium term.

Moderate financial risk profile

VHFPL's financial risk profile remains moderate however, the company reported growth in net interest income and PAT. Improvement in Profitability metrics is due to growth in AUM & disbursements. The company witnessed an increase in its net interest income to Rs. 5.78 Cr. during FY 2021-22 from Rs. 3.11 Cr. during FY2020-21. Net Interest Income improved to Rs. 8.72 Cr. till February 28, 2023. VHFPL reported PAT amounting to Rs 0.88 Cr till February-2023 and Rs 0.05 Cr during FY 2022. VHFPL reported losses of Rs. 1.33 Cr. for FY2021 (P.Y.: Rs. 0.77 Cr.) The company reported meager profits during FY2021-22 and losses FY2020-21 on account branch expansion.

Acuité believes, going forward, the ability of the company to mobilize additional funding through debt /equity and its ability to deploy the funds profitably while maintaining its asset quality will be key rating sensitivity.

Rating Sensitivity

- Promoter support and ability to raise capital
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability metric Changes in regulatory environment

Material Covenants

VHFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others. As per confirmation received from the company, VHFPL is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.

Liquidity Position

Adequate

VHFPL overall liquidity profile remains adequate. The company has maintained unencumbered cash and bank balances of ~Rs. 9.61 cr. as on February 28, 2023. The borrowing profile of VHFPL of Rs. 77.87 Cr. as on February 28, 2023 comprised Term loans from NBFC/FI's and loans from promoters & promoter group. VHFPL has reported an on-time portfolio of ~92.34 percent as on December 31, 2022 and supported with an average Overall collection efficiency of 79.59 percent for 12 months ended December 31, 2022.

Outlook: Stable

Acuité believes that VHFPL will maintain a 'Stable' outlook over the near to medium owing to experience of the management in lending activities. The outlook may be revised to 'Positive' in case of higher than envisaged growth in loan portfolio while improving profitability and asset quality metrics. Conversely, the outlook may be revised to 'Negative' in case of any

deterioration in asset quality or profitability metrics, while scaling up its operations.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr	82.68	46.14
Total Income*	Rs Cr.	7.21	3.86
PAT	Rs Cr.	0.05	-1.33
Networth	Rs Cr.	26.19	18.14
Return on Average Assets (ROAA)	(%)	0.08	-4.19
Return on Net Worth (RoNW)	(%)	0.24	-8.70
Total Debt/Tangible Net Worth (Gearing)	Times	2.11	1.52
Gross NPA's	(%)	1.51	0.00
Net NPA's	(%)	1.29	0.00

*Total income equals to Net Interest Income plus other income

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
	Term Loan	Long Term	0.53	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.08	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.78	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.82	ACUITE BBB- Stable (Assigned)

18 Jan 2022	Term Loan	Long Term	1.05	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.66	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	60.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	28.55	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.76	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.92	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.96	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.62	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.62	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.74	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.91	ACUITE BBB- 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 Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	48.09	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Stable Assigned
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Dec 2025	Simple	0.16	ACUITE BBB- Stable Reaffirmed
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Dec 2025	Simple	0.73	ACUITE BBB- Stable Reaffirmed
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	17 Dec 2024	Simple	1.11	ACUITE BBB- Stable Reaffirmed
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	10 Dec 2025	Simple	0.31	ACUITE BBB- Stable Reaffirmed
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Dec 2025	Simple	0.78	ACUITE BBB- Stable Reaffirmed
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	01 Feb 2024	Simple	1.34	ACUITE BBB- Stable Reaffirmed
EcLEAR Leasing & Finance Private Ltd.	Not Applicable	Term Loan	Not available	Not available	05 Dec 2024	Simple	0.65	ACUITE BBB- Stable Reaffirmed
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	30 Dec 2025	Simple	4.00	ACUITE BBB- Stable Reaffirmed
Northern Arc Capital (formerly IFMR Capital)	Not Applicable	Term Loan	Not available	Not available	05 Apr 2023	Simple	0.25	ACUITE BBB- Stable Reaffirmed
Incred Capital Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	10 Nov 2023	Simple	0.41	ACUITE BBB- Stable Reaffirmed

Incred Capital Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	10 Aug 2025	Simple	3.00	ACUITE BBB- Stable Reaffirmed
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Jun 2025	Simple	1.13	ACUITE BBB- Stable Reaffirmed
Caspian Impact Investment Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Dec 2025	Simple	1.83	ACUITE BBB- Stable Reaffirmed
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	01 Jul 2024	Simple	1.23	ACUITE BBB- Stable Reaffirmed
Rar Fincare Limited	Not Applicable	Term Loan	Not available	Not available	01 Feb 2026	Simple	0.79	ACUITE BBB- Stable Reaffirmed
Northern Arc Capital (formerly IFMR Capital)	Not Applicable	Term Loan	Not available	Not available	05 Aug 2023	Simple	1.08	ACUITE BBB- Stable Reaffirmed
Hinduja Housing Finance Limited	Not Applicable	Term Loan	Not available	Not available	30 Dec 2027	Simple	4.08	ACUITE BBB- Stable Reaffirmed
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	15 Jun 2025	Simple	2.20	ACUITE BBB- Stable Reaffirmed
City Union Bank Ltd	Not Applicable	Term Loan	Not available	Not available	30 Mar 2023	Simple	2.25	ACUITE BBB- Stable Reaffirmed
Rar Fincare Limited	Not Applicable	Term Loan	Not available	Not available	20 Apr 2026	Simple	0.83	ACUITE BBB- Stable Reaffirmed
A K Capital Finance Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	30 Dec 2024	Simple	3.13	ACUITE BBB- Stable Reaffirmed
Real Touch Finance Limited	Not Applicable	Term Loan	Not available	Not available	05 Aug 2025	Simple	2.59	ACUITE BBB- Stable Reaffirmed
Netafim Agricultural Financing Agency Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	29 Aug 2025	Simple	2.68	ACUITE BBB- Stable Reaffirmed
Sundaram	Not	Term	Not	Not	01 Sep			ACUITE BBB-

Home Finance Ltd.	Applicable	Loan	available	available	2025	Simple	1.72	Stable Reaffirmed
Real Touch Finance Limited	Not Applicable	Term Loan	Not available	Not available	05 Oct 2025	Simple	1.82	ACUITE BBB- Stable Reaffirmed
Profectus Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	12 Oct 2024	Simple	2.57	ACUITE BBB- Stable Reaffirmed
Profectus Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	12 Mar 2025	Simple	3.00	ACUITE BBB- Stable Reaffirmed
Rar Fincare Limited	Not Applicable	Term Loan	Not available	Not available	19 Oct 2026	Simple	0.93	ACUITE BBB- Stable Reaffirmed
Caspian Impact Investment Private Ltd.	Not Applicable	Term Loan	Not available	Not available	30 Dec 2025	Simple	4.45	ACUITE BBB- Stable Reaffirmed
Manaveeya Financial Services Ltd. (OIKO)	Not Applicable	Term Loan	Not available	Not available	08 Dec 2025	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	31 Dec 2029	Simple	5.86	ACUITE BBB- Stable Reaffirmed

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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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