

November 18, 2022

Northern Arc Capital Limited: Rating withdrawn for loans given under Northern Arc P.L.I. X June 2019 transaction

Summary of rating action

S. No.	Borrower Name	Initial Loan Amount (Rs. crore)	Amount after Previous Surveillance Exercise (Rs. crore)	Current Amount (Rs. crore)*	Rating Action
1	Pahal Financial Services Pvt. Ltd. (Pahal)	10.00	3.15	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
2	Aruna Finance Limited (Aruna)	5.00	1.57	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
3	Magalir Micro Capital Private Limited (Magalir)	5.00	1.43	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
4	S V Creditline Limited (SVCL)	25.00	7.88	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
5	Berar Finance Limited (Berar)	15.00	3.80	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
6	Mahaveer Finance India Limited (Mahaveer)	6.00	2.02	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
7	Visage Holdings & Finance Pvt. Ltd. (Visage)	10.00	2.54	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
	Total	76.00	22.39	0.00	

*Instrument details are provided in Annexure I

Note: The CE suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table below also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

ICRA also has ratings outstanding on the other rated facilities/instruments of the following entities:

Berar Finance Limited: Refer to this [link](#) for details

Pahal Financial Services Pvt. Ltd.: Refer to this [link](#) for details

Visage Holdings & Finance Pvt. Ltd.: Refer to this [link](#) for details

Rationale

Under a pooled loan issuance (PLI) programme, Northern Arc P.L.I. X June 2019, the lender had provided loans to multiple entities as mentioned in the above table. ICRA has withdrawn the rating for all the entities as the said instruments have been fully redeemed by the respective companies and there is no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on withdrawal.

The key rating drivers, liquidity position, rating sensitivities and key financial indicators have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Policy on Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the guarantor

Northern Arc Capital is a systemically important non-banking financial company (NBFC). It acts as a platform in the financial services sector with the objective of catering to the diverse credit requirements of under-served households and businesses by providing access to debt finance. This is done either through direct lending and investments or by providing syndication and structuring services. The company commenced its business by targeting microfinance institutions (MFIs) and has diversified into other sectors including micro, small, and medium enterprise (MSME) finance, vehicle finance (includes commercial vehicle and two-wheeler (2W) finance), consumer finance, affordable housing finance and agricultural supply chain finance. Further, over the years, NACL has steadily diversified across products, geographies, and borrower segments. Nimbus, NACL's proprietary technology system, forms the backbone of its growth as a platform and enables the scaling up of business operations with execution and functional efficiency and data analytics. For the detailed rating rationale on NACL, please refer to this [link](#).

About the borrowers

Pahal Financial Services Pvt. Ltd.

Pahal Financial Services Pvt. Ltd. (PFSPL) is an Ahmedabad-based NBFC-MFI registered with the Reserve Bank of India (RBI). The company started its operations in March 2011 by acquiring the existing operations of Lok Vikas Nidhi, a trust operational in Gujarat for over 25 years. The current promoters acquired the portfolio of Rs. 2.6 crore spread across 15 branches, along with the field staff of Lok Vikas and subsequently transferred the acquired portfolio to an NBFC with an equity contribution of Rs. 2 crore. The NBFC was renamed Pahal Financial Services Pvt. Ltd. PFSPL lends to poor women primarily in the rural and semi-urban areas of Gujarat, Rajasthan, Madhya Pradesh, Bihar and Maharashtra. Pre-Covid, it had also ventured into Chhattisgarh and Uttar Pradesh where growth has been low due to Covid-related issues. PFSPL reported a profit after tax (PAT) of Rs. 1.94 crore in 9M FY2022 on assets under management (AUM) of Rs. 842.53 crore as on December 31, 2021 against a profit of Rs. 4.29 crore in FY2021 on AUM of Rs. 773.25 crore as on March 31, 2021.

Aruna Finance Limited

Aruna Finance Limited (Aruna) is registered as a non-deposit taking non-systemically important NBFC (ND-NSI-NBFC). It is promoted by Mr. B Y Narayana Rao. Aruna finances 2Ws, three-wheelers, cars, lorries, tractors, construction equipment, loan against property (LAP) and gold loans. It primarily operates in Andhra Pradesh and some places in Telangana. The promoters and family members have a 98.7% stake in the company. As of June 2021, Aruna had 15 branches in Andhra Pradesh and Telangana with its headquarters in Vijayawada. Aruna reported a net profit of Rs. 1.24 crore (provisional) in Q1 FY2022 on a managed portfolio of Rs. 58.40 crore as on June 30, 2021 vis-à-vis a net profit of Rs. 2.70 crore in FY2021 on a managed portfolio of Rs. 57.20 crore as on March 31, 2021.

Magalir Micro Capital Private Limited

Magalir Micro Capital Private Limited (formerly Magalir Micro Finance Private Limited) is an NBFC-MFI, incorporated in 2015 as a registered non-deposit taking NBFC. It is promoted by the promoters of Seyad Group of Companies (ICRA rated Seyad Shariat Finance Limited at MA-(Stable); press release dated August 31, 2021) based out of Tamil Nadu and Kerala. Magalir primarily provides microfinance loans as per the joint liability group (JLG) model. The operations were spread across 26 districts in 2 states as on December 31, 2021. In 9M FY2022, the company reported a PAT of Rs. 0.17 crore (Rs. 4.28 crore in FY2021). As of December 2021, the AUM stood at Rs. 211.71 crore.

S V Creditline Limited

New Delhi-based SV Creditline Limited (SVCL) is an NBFC-MFI that was incorporated in 2008. It is promoted by Mr. Vijay Parekh (through Vans Pte Limited) and Mr. Sunil Sachdeva (through SV Corporation Pvt. Ltd). As on June 30, 2021, SVCL operated in 128 districts in nine states including Uttar Pradesh (41%), Madhya Pradesh (18%), Chhattisgarh (10%), Bihar (8%), Punjab (5%),

Rajasthan (7%), Haryana (3%), Uttarakhand (6%) and Jharkhand (1%). SVCL reported a net profit of Rs. 0.30 crore (provisional) in Q1 FY2022 on a managed portfolio of ~Rs. 426 crore as on June 30, 2021 vis-à-vis a net profit of Rs. 1.42 crore in FY2021 on a managed portfolio of Rs. 492 crore as on March 31, 2021.

Berar Finance Limited

Berar Finance Limited (BFL) is a Nagpur-based public, unlisted, deposit-taking NBFC registered with the RBI. The company is promoted by Mr. M. G. Jawanjar and was incorporated in 1990. BFL primarily finances 2Ws. It also provides used car loans, commercial vehicle loans, agriculture equipment loans and personal loans. While its operations are concentrated in Maharashtra, BFL has, over the years, expanded to five other states, i.e. Chhattisgarh, Madhya Pradesh, Telangana, Gujarat and Karnataka. As on March 31, 2022, the company's loan book was Rs. 854 crore. In FY2022, BFL reported a PAT of Rs. 17.4 crore on operating income of Rs. 85 crore vis-à-vis a PAT of Rs. 15 crore on operating income of Rs. 67 crore in FY2021. As on June 30, 2021, the company reported a PAT of Rs. 3.7 crore on operating income of Rs. 24 crore.

Mahaveer Finance India Limited

Mahaveer Finance India Limited (Mahaveer) is a commercial vehicle finance entity operating across 4 states with 44 branches. It is led by a 3-member promoter team with a long track record in the industry. The Chennai-based company was incorporated in 1981 and was taken over by the current promoters in 1987. In 2015, Mahaveer surrendered its deposit-taking licence and also delisted itself from the Madras Stock Exchange.

The company is promoted by Mr. Mahaveer Chand Dugar and his sons, Mr. Praveen Dugar and Mr. Deepak Dugar. Its shares are held by the promoter family group (65.23% as on June 30, 2021) and private equity player – Banyan Tree Growth Capital (34.77%). The board consists of 8 directors with 3 promoter directors, 4 independent directors and 1 nominee director from Banyan Tree Growth Capital and is led by the Chairman, Mr. G. Chidambar, a former Managing Director (MD) of Life Insurance Corporation of India (LIC). As on June 30, 2021, Mahaveer had a total team of 257 people and a strong customer base of over 11,611 active customers, managing an AUM of Rs. 336 crore.

Visage Holdings & Finance Pvt. Ltd.

Visage Holdings & Finance Pvt. Ltd. is a non-deposit taking NBFC, incorporated in 1996. The current promoters acquired Kinara in September 2011 and commenced lending operations in November 2011. The company offers credit facilities to small businesses under the brand name Kinara Capital. It provides secured (hypothecation of machinery) and unsecured term loans and working capital facilities with a maximum ticket size of Rs. 30 lakh. Currently, the company operates in six states, namely Karnataka, Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh and Telangana, with its head office in Bengaluru. As on June 30, 2022, Kinara had 121 branches with an AUM of Rs. 1,435.3 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S.	Transaction	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
No	Name	Borrower	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					November 18, 2022	December 9, 2021	November 17, 2020	January 3, 2020	July 5, 2019
1	Northern Arc P.L.I. X June 2019	Pahal Financial Services Pvt. Ltd.	10	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Aruna Finance Limited	5	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Nightingale Finvest Private Limited	7	0	--	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Unnati Microfin Private Limited	5	0	--	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Magalir Micro Capital Private Limited	5	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		S V Creditline Limited	25	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Berar Finance Limited	15	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Light Microfinance Private Limited	10	0	--	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Mahaveer Finance India Limited	6	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)
		Visage Holdings & Finance Pvt. Ltd.	10	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	[ICRA]BBB+(SO)

Complexity level of the rated instruments

Borrower Name	Complexity Indicator
Pahal	Very Simple
Aruna	Very Simple
Magalir	Very Simple
SVCL	Very Simple

Berar	Very Simple
Mahaveer	Very Simple
Visage	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Sl.	Transaction Name	Borrower Name*	Date of Issuance	Interest Rate^	Scheduled Maturity Date	Rated Amount (Rs. crore)	Current Rating
1	Northern Arc P.L.I. X June 2019	Pahal Financial Services Pvt. Ltd.	June 2019	Blended yield of 12.10%	Sep-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		Aruna Finance Limited			Sep-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		Magalir Micro Capital Private Limited			Aug-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		S V Creditline Limited			Oct-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		Berar Finance Limited			Jul-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		Mahaveer Finance India Limited			Oct-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn
		Visage Holdings & Finance Pvt. Ltd.			Jul-22	0.00	[ICRA]BBB+(CE) (Stable) withdrawn

*Term loan rated for all borrowers

Source: Company; ^Weighted average interest rate to lender

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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Branches



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