

March 17, 2023

## Northern Arc Capital Limited: Rating withdrawn for pooled NCD programme – Northern Arc Pooled Bond Issuance XIX

### Summary of rating action

Sr. No.	Borrower Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
1	Varthana Finance Private Limited (erstwhile Thirumeni Finance Private Limited)	NCD	25.00	4.17	0.00	[ICRA]BBB-(Stable); withdrawn
2	Kanakadurga Finance Limited	NCD	32.00	5.33	0.00	[ICRA]BBB- (Stable); withdrawn

\*Instrument details are provided in Annexure-1

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

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

### Rationale

Under a pooled bond issuance (PBI) programme, Northern Arc Pooled Bond Issuance XIX, multiple entities had issued non-convertible debentures (NCD). The PBI transaction also had a common external credit enhancement in the form of a corporate guarantee to the extent of 5.0% of the initial value of the total PBI principal amount provided by Northern Arc Capital Limited (NACL; rated [ICRA]A+ (Stable)/[ICRA]A1+). ICRA has withdrawn the rating outstanding for all the entities as the NCDs have been fully redeemed with no dues outstanding. The rating was withdrawn in accordance with ICRA's policy on withdrawal.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position, rating sensitivities and key financial indicators have not been captured as the rated instruments are being withdrawn.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 rationale is available at the following link: [Click here](#)

### Analytical approach

The rating action is based on the credit profile of the underlying issuers.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the company

#### Kanakadurga Finance Limited (KFL)

Kanakadurga Finance Limited (KFL) was incorporated as a private company in 1994 to take over the auto financing business of the proprietary entities of the promoter. It was converted into a public company in 1996. Mr. S. Lakshmi Narayana, the promoter, has been in the auto finance business for the past ~30 years. In FY2016, the name of the company was changed to KFL from Kanakadurga Leasing & Finance Limited. KFL is an ND-NBFC, primarily engaged in the business of vehicle financing and gold loans. The company has a presence in Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Puducherry and Gujarat. As on March 31, 2022 the AUM stands at Rs. 399 Crore.

### Key financial indicators (audited)

Company Name	FY2021	FY2022
Total income (Rs. crore)	112.1	94.2
Profit after tax (Rs. crore)	11.2	3.3
Assets under management (Rs. crore)	359.8	398.5
Gross NPA (%)	4.1%	3.8%
Net NPA (%)	3.5%	3.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

### Varthana Finance Private Limited (erstwhile Thirumeni Finance Private Limited)

Varthana is a non-deposit taking non-banking financial company, incorporated in Cochin (Kerala) in June 1984. It was acquired by the current promoters – Mr. Steve Hardgrave and Mr. Brajesh Mishra in May 2012 and commenced financing operations in January 2013. As on March 31, 2022, the promoters held an 10.6% stake in the company with the balance held by institutional investors (83.6%), individual investors (2.4%) and an employee share ownership trust (3.4%). Varthana offers credit facilities to private schools, including affordable private schools, for improvement, capacity expansion and growth. It operates in 15 states and 1 Union Territory, including Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Odisha, Rajasthan, and Chhattisgarh, with its head office in Bengaluru. As on June 30, 2022, Varthana had a loan book of Rs.928.6 crore.

### Key financial indicators (audited)

Company Name	FY2020	FY2021	FY2022	Q1 FY2023
Total income (Rs. crore)	227.4	211.6	190.7	42.5
Profit after tax (Rs. crore)	15.3	-7.7	2.5	-15.9
Assets under management (Rs. crore)	1,104.0	1,044.8	957.8	928.6
Gross NPA (%)	7.1%	2.9%	12.0%	15.4%
Net NPA (%)	4.3%	1.4%	5.5%	6.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

S. No.	Instrument	Borrower Name	Current Rating (FY2023)					Chronology of Rating History						
			Amount Rated (Rs. Crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023			Date & Rating in FY2022		Date & Rating in FY2021			Date & Rating in FY2020	
					March 17, 2023	September 23, 2022	May 31, 2022	Mar 11, 2022	Dec 10, 2021	Jun 04, 2021	Dec 31, 2020	Dec 18, 2020	May 27, 2020	Aug 02, 2019
1	Northern Arc Pooled Bond Issuance XIX	ASA International India Microfinance Limited	0.00	0.00	-	[ICRA]BBB- (Negative) withdrawn	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
		Varthana Finance Private Limited (erstwhile Thirumeni Finance Private Limited)	4.17	0.00	[ICRA]BBB- (Stable) withdrawn	[ICRA]BBB- (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)
		Aye Finance (P) Ltd.	0.00	0.00	-	[ICRA]BBB+ (Stable) withdrawn	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
		Kanakadurga Finance Limited	5.33	0.00	[ICRA]BBB- (Stable) withdrawn	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Northern Arc Pooled Bond Issuance XIX	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-1: Instrument details

Transaction Name	ISIN	Borrower Name	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Northern Arc Pooled Bond Issuance XIX	INE125T07162	Varthana Finance Private Limited (erstwhile Thirumeni Finance Private Limited)	Jul-19	Blended yield of 13.36%	February 2023**	0.00	[ICRA]BBB-(Stable) withdrawn
	INE104W07112	Kanakadurga Finance Limited			February 2023**	0.00	[ICRA]BBB-(Stable) withdrawn

\*NCD rated for all borrowers

\*\* Changed to February 2023 from August 2022 following the revision in the terms of the transaction

#### Annexure-2: List of entities considered for consolidated analysis: Not applicable

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