

April 18, 2023

Northern Arc Capital Limited: Rating withdrawn for loans given under Northern Arc P.L.I. XI Sep 2019 transaction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1	Orange Retail Finance India Private Limited	15.00	5.20	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
2	Amrit Malwa Capital Limited	8.00	2.77	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
3	Vaya Finserv Private Limited	15.00	4.24	0.00	[ICRA]BBB+(CE)(Stable); Withdrawn
	Total	38.00	12.21	0.00	

*Instrument details are provided in Annexure I

Rationale

Under a pooled loan issuance (PLI) programme, Northern Arc P.L.I. XI Sep 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 ICRA has withdrawn the rating for all the entities as the said instruments have been fully redeemed by the respective companies and there is no amount outstanding against the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 The rating was withdrawn in accordance with ICRA's policy on withdrawal.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rating drivers, liquidity position and rating sensitivities have not been captured as the rated instruments are being withdrawn.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

Orange Retail Finance India Private Limited

Chennai-based Orange Retail Finance India Private Limited is an NBFC that provides 2W loans, predominantly in the rural and semi-urban markets. The company has a co-lending arrangement with a few banks and NBFCs. As on September 30, 2021, it had 86 branches across Tamil Nadu, Andhra Pradesh, Kerala, Karnataka and Telangana. Its assets under management (AUM) stood at Rs. 371 crore as on March 31, 2022. The company is managed by Mr. S. Magesh and Mr. Ebenezer Daniel.

Key financial indicators (audited)

Orange Retail Finance India Private Limited	FY2020	FY2021	FY2022
Total income	93.5	83.3	86.3
Profit after tax (PAT)	(1.9)	(8.1)	(8.6)
Assets under management (Rs. Crore)	404.2	341.0	371.0
Gross NPA (%)	NA	9.0%	4.5%
Net NPA (%)	NA	7.8%	3.6%

Source: Company, ICRA Research; Amount in Rs. crore

Amrit Malwa Capital Limited

Amrit Malwa was incorporated as a private limited company under the name, Amrit Hire Purchase Pvt. Ltd., under the Companies Act, 1956 in 1987. The name was changed to Amrit Hire Purchase Ltd. in 1996. The company obtained an NBFC licence from the Reserve Bank of India (RBI) and is a mid-sized deposit-taking NBFC-AFC in the business of vehicle financing. It was merged in May 2018 with another Group company, Malwa Ludhiana Motors Private Limited, to form a bigger entity named Amrit Malwa Capital Limited (AMCL). The company mainly funds 2Ws. It finances vehicles of all major brands: Hero, Honda, Bajaj, TVS and others.

Key financial indicators (audited)

Amrit Malwa Capital Limited	FY2020	FY2021	FY2022	Q3 FY2023*
Profit after tax (Rs. crore)	3.0	3.3	4.6	5.3
Gross managed portfolio (Rs. crore)	220.8	222.6	315.5	429.8
Gross NPA (%)	2.71%	2.80%	3.48%	2.88
Net NPA (%)	2.22%	2.18%	2.62%	2.11

Source: Company, ICRA Research; Amount in Rs. Crore; *provisional

Vaya Finserv Private Limited

Vaya Finserv Private Limited (VFPL), incorporated in March 2014, is a non-banking financial company-microfinance institution (NBFC-MFI) with its registered office in Hyderabad. The company provides microloans under the joint liability group (JLG) model along with credit-linked insurance. As on September 30, 2022, VFPL was operating in 7 states through a network of 266 branches spread across 91 districts, catering to more than 5.5 lakh borrowers with a managed loan portfolio of Rs. 1,295 crore. The company sold its entire loan portfolio to a private sector bank through direct assignment transactions in February 2023 and ceased lending operations thereafter.

Key financial indicators (audited)

Vaya Finserv Private Limited	FY2021	FY2022	H1 FY2023
Profit after tax	10	13	20
Net worth	297	310	330
Total managed assets	1,452	1,586	1,539
Return on average managed assets	0.7%	0.8%	2.5%
Return on average net worth	4.0%	4.2%	12.4%
Gross gearing (times)	2.3	3.9	3.4
Managed gearing (times)	2.6	3.9	3.4
Gross non-performing assets	2.8%	3.1%	4.0%
Net non-performing assets	1.6%	1.1%	1.6%
Solvency (Net NPA/Net worth)	3.9%	4.1%	5.9%
Capital adequacy ratio	34.5%	25.8%	25.4%

Managed gearing = (on-book borrowings incl. accrued interest + securitised/assigned portfolio) / (net worth - cash collateral or fixed deposits for business correspondent portfolio); 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	Transaction Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
		Borrower	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
					Apr 18, 2023		Jan 31, 2022	Dec 28, 2020		Apr 30, 2020
1	Northern Arc P.L.I. XI Sep 2019	Orange Retail Finance India Private Limited	15	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	Provisional [ICRA]BBB+(SO)	
		Amrit Malwa Capital Limited	8	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	Provisional [ICRA]BBB+(SO)	
		Vaya Finserv Private Limited	15	0	[ICRA]BBB+(CE) (Stable) withdrawn	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE) (Stable)	[ICRA]BBB+(CE)	Provisional [ICRA]BBB+(SO)	

Complexity level of the rated instruments

Borrower Name	Complexity Indicator
Orange Retail Finance India Private Limited	Very Simple
Amrit Malwa Capital Limited	Very Simple
Vaya Finserv Private Limited	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. XI Sep 2019	Orange Retail Finance India Private Limited	September 2019	Blended yield of 12.22%	Repaid	0.00	[ICRA]BBB+(CE) (Stable); withdrawn
		Amrit Malwa Capital Limited			Repaid	0.00	[ICRA]BBB+(CE) (Stable); withdrawn
		Vaya Finserv Private Limited			Repaid	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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