

September 25, 2023

Northern Arc Capital Limited: Ratings withdrawn for loan given under Northern Arc P.L.I. XIII transaction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1	Manba Finance Limited	15.00	2.34	0.00	[ICRA]A-(CE)(Stable); Withdrawn
2	Shri Ram Finance Corporation Private Limited	10.00	1.58	0.00	[ICRA]A-(CE)(Stable); Withdrawn
	Total	25.00	3.92	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

Borrower Name	Rating Without Explicit Credit Enhancement
Manba Finance Limited	[ICRA]BBB
Shri Ram Finance Corporation Private Limited	[ICRA]BBB-

Rationale

Under a pooled loan issuance (PLI) programme, Northern Arc P.L.I. XIII, the lender had provided loans to multiple entities. ICRA has withdrawn the rating for all the entities as the said instruments have been fully redeemed by the respective companies and there is no amount outstanding against the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 The rating was withdrawn in accordance with ICRA's policy on withdrawal.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rating drivers, liquidity position and rating sensitivities have not been captured as the rated instruments are being withdrawn.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 NBFC. It acts as a platform in the financial services sector with the objective of catering to the diverse credit requirements of underserved 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 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 efficiencies and data analytics.

As of March 2023, on a fully-diluted basis, IIFL Special Opportunities Fund was the largest shareholder with a stake of 25.6% in NACL, followed by Leapfrog Financial Inclusion India II Limited (22.6%), Augusta Investments II Pte Ltd (19.5%), Eight Roads Investments (Mauritius) (II) Limited (10.3%), Dvara Trust (7.5%), Accion (5.8%), SMBC (5.3%) and others (3.5%)

For the detailed rating rationale on NACL, please refer to this [link](#).

About the borrowers

Shri Ram Finance Corporation Private Limited

Shri Ram Finance Corporation Private Limited (SRFCL) is a Raipur-based asset financing non-deposit taking NBFC, promoted by Mr. Ganesh Bhattar and Mr. Gaurav Bhattar. The promoters have been involved in 2W financing through proprietorship concerns since 2003. The company received its non-banking financial company – asset finance company (NBFC-AFC) licence from the Reserve Bank of India (RBI) in July 2008. Since FY2010, it has diversified its products into four-wheeler finance, small medium enterprise loans and MFI loans. As on June 30, 2022, SRFCL's assets under management (AUM) stood at Rs. 615.0 crore with a net worth of Rs. 152.4 crore. As on June 30, 2022, the company's operations were mostly concentrated in three states, namely Madhya Pradesh (41%), Chhattisgarh (39%) and Odisha (16%).

Key financial indicators (audited)

SRFCL	FY2021	FY2022	Q1 FY2023*
PAT	21.6	19.9	7.9
Net worth	104.9	142.7	152.4
AUM	449.1	544.0	615.0
Total managed assets	505.0	618.0	686.0
Return on assets	4.3%	3.6%	4.9%
Return on net worth	22.9%	16.1%	21.5%
Gearing (times)	3.0	3.0	3.2
Gross NPA	4.0%	3.0%	2.9%
Net NPA	3.3%	2.5%	2.2%
90+ dpd	4.0%	3.0%	2.9%
Solvency (Net NPA/Net worth)	13.9%	9.4%	8.8%

Source: Company, ICRA Research; All ratios as per ICRA's calculations;

*Provisional Amount in Rs. crore

Manba Finance Limited

Manba Finance Limited was incorporated in 1996 and is a registered non-deposit taking NBFC, headquartered in Mumbai. The company is mainly engaged in the new two-wheeler (2W) financing business. It is fully owned (through individual capacity and through group companies/relatives) by Mr. Manish Shah, who is the promoter and Managing Director of the company. As on September 30, 2022, the company's operations were concentrated in three states, namely Maharashtra (77%), Gujarat (22%), and Rajasthan (1%). It expanded its operations in Chhattisgarh in Q2 FY2023 and its branch network in Gujarat. This led to a reduction in the portfolio concentration in Maharashtra to 77% as on September 30, 2022 from 89% as on March 31, 2021.

Key financial indicators (audited)

Manba	FY2021	FY2022	Q1 FY2023*
Profit after tax (PAT)	9.1	9.4	3.5
Net worth	142.9	152.4	156.0
AUM	532.0	496.0	525.0
Total managed assets	535.8	572.2	610.5
Return on assets	1.7%	1.7%	2.4%
Return on net worth	6.5%	6.4%	9.2%
Gearing (times)	2.7	2.6	2.8
Gross NPA	2.6%	4.9%	4.7%
Net NPA	2.2%	4.3%	4.1%
90+ dpd	2.9%	4.9%	4.7%
Solvency (Net NPA/Net worth)	7.3%	14.0%	13.3%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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	FY2023	FY2022	FY2021	
				September 25, 2023	December 06, 2022	December 31, 2021	December 01, 2020	July 31, 2020
Northern Arc P.L.I. XIII	Manba Finance Limited	15	0.00	[ICRA]A-(CE) (Stable); withdrawn	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)
	Shri Ram Finance Corporation Private Limited	10	0.00	[ICRA]A-(CE) (Stable); withdrawn	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)

Complexity level of the rated instruments

Borrower Name	Complexity Indicator
Manba Finance Limited	Very Simple
Shri Ram Finance Corporation 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

Transaction Name	Borrower Name*	Date of Issuance	Interest Rate^	Scheduled Maturity Date	Rated Amount (Rs. crore)	Current Rating
Northern Arc P.L.I. XIII	Manba Finance Limited	January 2020	Blended yield of 12.33%	Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn
	Shri Ram Finance Corporation Private Limited			Repaid	0.00	[ICRA]A-(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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