

November 10, 2023

## Northern Arc Capital Limited: Ratings withdrawn for loan given under Northern Arc P.L.I. XIV transaction

### Summary of rating action

S. No.	Borrower Name	Initial rated Amount (Rs. crore)	Amount after Previous Surveillance Exercise (Rs. crore)	Current Amount (Rs. crore)*	Rating Action
1	Berar Finance Limited	10.00	3.44	0.00	[ICRA]A-(CE)(Stable); Withdrawn
2	Visage Holdings & Finance Pvt. Ltd.#	10.00	3.43	0.00	[ICRA]A-(CE)(Stable); Withdrawn
3	Satya MicroCapital Ltd.	10.00	3.43	0.00	[ICRA]A-(CE)(Stable); Withdrawn
4	Sonata Finance Private Limited	10.00	3.44	0.00	[ICRA]A-(CE)(Stable); Withdrawn
5	Ashv Finance Limited^	10.00	3.44	0.00	[ICRA]A-(CE)(Stable); Withdrawn
	<b>Total</b>	<b>50.00</b>	<b>17.18</b>	<b>0.00</b>	

\*Instrument details are provided in Annexure I; #aka Kinara Capital; ^Previously known as Jain Sons Finlease Limited (aka Intellegrow)

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
Berar Finance Limited	[ICRA]BBB
Visage Holdings & Finance Pvt. Ltd.	[ICRA]BBB
Satya MicroCapital Ltd.	[ICRA]BBB+
Sonata Finance Private Limited	[ICRA]BBB
Ashv Finance Limited	[ICRA]BBB

### Rationale

Under the pooled loan issuance (PLI) programme, i.e., Northern Arc P.L.I. XIV, 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 ICRA has withdrawn the rating for all the entities as the said instruments have been fully redeemed by the respective companies and there is no amount outstanding against the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 The rating was withdrawn in accordance with ICRA's policy on withdrawal.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rating drivers, liquidity position and rating sensitivities have not been captured as the rated instruments are being withdrawn.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	<a href="#">ICRA's Policy on Withdrawal of Credit Rating</a>
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 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 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 June 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 (10.2%), 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

### Berar Finance Limited

Berar Finance Limited (BFL) is a Nagpur-based public, unlisted, deposit-taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It is promoted by Mr. M. G. Jawanjar and was incorporated in 1990. BFL primarily finances two-wheelers (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, 2023, the company's loan book was Rs. 946 crore. In FY2023, BFL reported a profit after tax (PAT) of Rs. 17 crore. The gross par 90 and net par 90 stood at 3.3% and 1.6% respectively for FY2023

### Key financial indicators (audited)

	FY2021	FY2022	FY2023
Total income	135	176	218
Profit after tax	15	17	17
Loan Book	672	832	1,141
Gross non-performing assets (NPA; %)	2.5%	2.2%	4.7%
Net NPA (%)	1.7%	1.4%	3.1%

### Visage Holdings & Finance Pvt. Ltd.

Visage Holdings & Finance Pvt. Ltd. is a non-deposit taking NBFC, incorporated in 1996. It is a non-deposit taking NBFC, incorporated in 1996. The current promoters acquired Kinara in September 2011 and commenced lending operations in November 2011. It provides secured (hypothecation of machinery) and unsecured term loans and working capital facilities with a maximum ticket size of Rs. 40 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 March 31, 2023, Kinara had 125 branches with an AUM of Rs. 2,487.3 crore (AUM of Rs. 2,673.1 crore as of June 30, 2023)

### Key financial indicators (audited)

	FY2021	FY2022	FY2023
Total income	236	285.9	491.6
Profit after tax	7.5	14.6	41.2
Loan Book	1,237.7	1,799	3,435
Gross non-performing assets (NPA; %)	10.4%*	8.6%	5.6%
Net NPA (%)	8.2%*#	5.9%#	4.6%

\*Gross NPA, net NPA and Net NPA/Net worth as per RBI reporting stands at 5.4%, 3.4% and 13.1%, respectively, as on March 31, 2021 # As of March 31, 2022, the company reported gross stage 3 as NPA. Net NPA, adjusted for the portfolio covered by CGTMSE and ECLGS, stood at 1.4% as on March 31, 2022 and 1.2% as of March 31, 2021

### Satya MicroCapital Ltd.

Satya MicroCapital Ltd. is a Delhi-based non-banking financial company (NBFC), which was incorporated in 1995. It started its microfinance operations in FY2017 by adopting the joint liability group (JLG) model with fortnightly and monthly collection cycles. The company primarily offers JLG loans with ticket sizes in the median range of Rs. 25,000-75,000 and individual microloans with ticket sizes in the range of Rs. 45,000-80,000 at interest rates of 24-26%, along with a processing fee of 0.75-0.50% for JLG loans and 3% for individual loans. SML mainly focusses on lending to women (husbands/sons above 18 years of age act as nominees) aiming to start a new business or enhance an existing business. Typically, the average tenure of loans under JLG is slightly over two years. As on March 31, 2023, the operations were spread geographically in 279 districts across 22 states/Union Territories. The company reported a profit after tax (PAT) of Rs. 53.0 crore in FY2023 against Rs. 32.5 crore in FY2022. Its assets under management (AUM) grew by 62% to Rs. 4,684 crore (after write-offs and sale to an asset reconstruction company) as on March 31, 2023.

### Key financial indicators (audited)

	FY2021	FY2022	FY2023
Total income	116.7	162.2	159
Profit after tax	10.2	32.5	16
Loan Book	1,476	2,884	981
Gross non-performing assets (NPA; %)	1.5%	3.3%	6.9%
Net NPA (%)	0.6	2.5	5.9%

### Sonata Finance Private Limited

Sonata Finance Private Limited (SFPL) is a non-banking financial company – microfinance institution (NBFC-MFI) registered with the Reserve Bank of India (RBI). It was incorporated in 1995 and its microfinance operations commenced in 2006. SFPL's registered office is in Lucknow. It offers credit to economically-backward women engaged in income-generating activities like processing and manufacturing activities, service activities and animal husbandry. While the company offers a gamut of loans including loans for home improvement, utility, sanitation, etc, its focus product is the income-generating group loan (IGL) using the joint liability group lending (JLG) model

### Ashv Finance Limited

Jain Sons Finance Limited (JSFL) was incorporated as a NBFC in February 1998. In December 2011, Mr. Vineet Rai-promoted Intellectcash acquired JSFL and later diluted its stake with a series of equity infusion by other investors. With effect from October 8, 2020, name of the company was changed to Ashv Finance Limited (Ashv) with no change in line of business.

Ashv is engaged in funding the MSME segment with a key focus in lending to the micro and small businesses in urban & semi urban areas. The company is primarily catering to the under-served micro & small growing businesses like the local kirana store owners, small shop-owners, grocery stores, milk shops, small traders, etc. The company offers differentiated credit after designing product offerings to its target segments. The company's average ticket size ranges from Rs. 10–11 lakh and the tenor of loan offered is around 24 to 36 months. The company has a customer base of 8,100+ active clients as on June 30, 2022 and has operations spread across 18 States / UTs with a network of 33 branches as on June 30, 2022.

#### Key financial indicators

	FY2021	FY2022	9M FY2023*
Interest income	95	120	134
Profit after tax	8	5	(6.5)
Assets under management	534	754	~900^
Gross non-performing assets (NPA; %)	3.2%	4.1%	4.4%
Net NPA (%)	1.5%	1.9%	2.2%

Source: Company data, ICRA Research; Amount in Rs. Crore \*provisiona ^net own book

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

#### Any other information: None

#### Rating history for past three years

S. No.	Name of Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Borrower's name	Initial Amount Rated (Rs. crore)	Amount Outstanding	Date & Rating	Date & Rating in FY2023	FY2022	FY2021	
				(Rs. crore)	November 10, 2023	November 25, 2022	November 23, 2021	November 23, 2020	September 28, 2020
1	Northern Arc P.L.I. XIV	Berar Finance Limited	10	0.00	[ICRA]A-(CE)(Stable); Withdrawn	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	Provisional [ICRA]A-(CE)(Stable)
		Visage Holdings & Finance Pvt. Ltd.	10	0.00	[ICRA]A-(CE)(Stable); Withdrawn	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	Provisional [ICRA]A-(CE)(Stable)
		Satya MicroCapital Ltd.	10	0.00	[ICRA]A-(CE)(Stable); Withdrawn	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	Provisional [ICRA]A-(CE)(Stable)
		Sonata Finance Private Limited	10	0.00	[ICRA]A-(CE)(Stable); Withdrawn	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	Provisional [ICRA]A-(CE)(Stable)
		Ashv Finance Limited	10	0.00	[ICRA]A-(CE)(Stable); Withdrawn	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	Provisional [ICRA]A-(CE)(Stable)

## Complexity level of the rated instruments

Borrower Name	Complexity Indicator
Berar Finance Limited	Very Simple
Visage Holdings & Finance Pvt. Ltd.	Very Simple
Satya MicroCapital Ltd.	Very Simple
Sonata Finance Private Limited	Very Simple
Ashv Finance 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. XIV	Berar Finance Limited	September 2020	Blended yield of 11.75%	Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn
	Visage Holdings & Finance Pvt. Ltd.#			Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn
	Satya MicroCapital Ltd.			Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn
	Sonata Finance Private Limited			Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn
	Ashv Finance Limited*			Repaid	0.00	[ICRA]A-(CE) (Stable); withdrawn

Source: Company; ^Weighted average interest rate to lender

\*Previously known as Jain Sons Finlease Limited (aka Intellegrow); #aka Kinara Capital

## Annexure II: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**  
+91 22 6114 3440  
[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**  
+91 22 6114 3470  
[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Himanshi Doshi**  
+91 22 6114 3410  
[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Ritu Rita**  
+91 22 6114 3409  
[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

**Palak Bhatt**  
+91 22 6114 3456  
[palak.bhatt@icraindia.com](mailto:palak.bhatt@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



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