April 04, 2024

# Caspian Impact Investments Private Limited: Ratings reaffirmed; rated amount enhanced

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Long-term fund-based lines** | 190.00 | 265.00 | [ICRA]BBB+ (Stable); reaffirmed/assigned for enhanced amount |
| **Fund based – Working capital facilities** | 40.00 | 40.00 | [ICRA]A2; reaffirmed |
| **Total** | **230.00** | **305.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating factors in Caspian Impact Investments Private Limited's (CII) adequate capitalisation profile and track record of maintaining a prudent financial risk profile, while it continues to scale up steadily. The company's assets under management stood at Rs.581 crore as of December 2023 (Rs.599 crore as of March 2023) and is expected to grow at 10-15% annually in the near-to-medium term. CII's portfolio is primarily concentrated towards the small business finance (SBF), microfinance institution (MFI) and Food & Agri (F&A) Sectors. Incrementally, it remains focussed on product diversification and addition of a granular retail book through partnership-based lending arrangements. The top 15 exposures accounted for 31% of the loan book as of December 2023 vis-à-vis 32% as of March 2023 (35% as of March 2022).

CII's reported a gearing of 2.7 times and capital adequacy ratio of 37.58% as on December 2023. Its asset quality has remained under control, with 90+dpd at 1.3% as of December 2023 vis-à-vis 1.2% as of March 2023. Further, the company has covered a part of its loan portfolio through partial credit guarantees from entities such as Rabo Foundation, United States Development Finance Corporation (USDFC), Michael & Susan Dell Foundation (MSDF), Villgro, and National Credit Guarantee Trustee Company Limited (NCGTC) among others, which help in mitigating credit risk to an extent. ICRA takes note of CII's conservative customer selection practices, portfolio monitoring mechanism and a defined recovery process for overdue loans.

The company's earnings profile has improved in 9MFY2024, with its profitability on average managed assets (AMA) basis at 1.2% and on average net worth basis at 4.7% {0.5% and 2.1% respectively, during FY2023}. Incremental moderation in operating expenses and credit costs in 9M FY2024 supported the profitability of the company. Nevertheless, the profitability metrics remain subdued and CII's ability to improve its profitability, while growing its scale of operations and keeping its credit cost under control, would be important from a credit perspective.

## Key rating drivers and their description

### Credit strengths

**Adequate capitalisation profile** – CII is adequately capitalised with a gearing of 2.7 times (3.1 times as on March 31, 2023) and a capital-to-risk weighted assets ratio (CRAR) of 37.58% as on December 31, 2023 (35.3% as on March 31, 2023). Although the current gearing level is low, it is expected to increase with incremental business being funded through fresh borrowings. Notwithstanding, ICRA expects CII to maintain prudent capitalisation levels going forward.

**Exposure towards relatively weaker entities mitigated to an extent by credit guarantee facilities** – CII has access to partial credit guarantee facilities from Rabo Foundation, USDFC, MSDF, Villgro, and NCGTC, which helps in de-risking a portion of its loan portfolio. These facilities are used on a need basis to extend financing support to companies with high potential but volatile cashflows. They act as a credit risk mitigant in addition to the company's good underwriting and risk management norms. The portfolio under guarantee stood at around 18% of the overall portfolio as on December 31, 2023 (26% as on March 31, 2023). ICRA notes that the share of the guaranteed portfolio has declined on the back of the increase in the granular portfolio under partnership-based lending, making it a monitorable.

## Credit challenges

**Moderate, albeit growing, scale of operations; concentrated loan book** – While the company continues to scale up its portfolio with a growth of 8% in FY2023, the scale of operations remains moderate with the AUM at Rs. 581 crore as on December 31, 2023. Moreover, the portfolio is primarily concentrated towards the SBF, MFI and F&A segments, which accounted for 59% of the overall portfolio as on December 31, 2023. Over the past few years, CII has been diversifying its portfolio by increasing its exposure to other impact sectors like clean energy and efficiency (CLE), healthcare (HEA), partnerships-based lending (co-lending), sector agnostic funding to women entrepreneurs, etc. It provides loans primarily to companies, which are in the growth phase. While credit risk will persist on account of lending to a segment of borrowers with a modest credit profile, ICRA takes comfort from CII's calibrated and conservative lending approach as well as the guarantee facilities, which mitigate the risk to some extent.

CII's loan book remains concentrated, given the high share of the top exposures. The top 15 exposures accounted for 31% of the loan and 104% of the company's net worth as on December 31, 2023 (32% and 115%, respectively, as on March 31, 2023). Nevertheless, all the top 15 accounts were regular with no overdues as on December 31, 2023.

**Subdued profitability, given high operating expenses –** Net interest margin improved to 5.6% of the AMA in 9MFY4 (5.5% of AMA in FY2023) from 3.8% in FY2022, supported by higher blended yields. Further, operating expenses reduced to 3.6% in 9MFY24 (4.0% in FY2023) on the back of some improvement in operating efficiencies.

Credit costs were also moderated to 0.4% in 9MFY2024 compared to 0.9% of AMA in FY2023, with delinquencies remaining under control. Overall, the profitability of the company improved to 1.2% (of AMA) in 9M FY2024 compared to 0.5% in FY2023. In ICRA's opinion, the company's profitability is expected to continue to improve in FY2024, however it remains subdued. CII's ability to improve its operating efficiency while managing the credit costs as it scales up the portfolio will be important from a credit perspective.

## Liquidity position: Adequate

CII's liquidity profile is supported by the relatively shorter tenure of its advances vis-à-vis its liabilities as reflected by no cumulative negative mismatches as per its asset-liability mismatch profile for the up to 1-year bucket. The liquidity profile remains comfortable with adequate on-book liquidity, the presence of unutilised funding lines and good collection efficiency.

As on February 29, 2024, the company had an unencumbered cash and bank balance of Rs. 32 crore against scheduled debt obligations of Rs.141.4 crore and scheduled collections of Rs. 377.4 crore till November 30, 2024. Factoring in the expected collections from advances, the liquidity profile is adequate for meeting the debt obligations in a timely manner. It is also supported by the availability of cash credit/working capital lines from banks.

## Rating sensitivities

**Positive factors** – The ratings could be positively impacted by a substantial growth in scale of operations coupled with a sustainable improvement in its profitability indicators (RoMA > 2%), while maintaining good asset quality and prudent capitalization profile.

**Negative factors** – Pressure on the company's ratings could arise if there is a deterioration in the asset quality or continued pressure on the earnings profile. Weakening of the capitalisation profile or a stretched liquidity position could also exert pressure on the company's ratings.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Rating Methodology for Non-Banking Finance Companies |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | Standalone |

## About the company

Caspian Impact Investments Private Limited (CII) is a non-deposit taking non-banking financial company (NBFC), which was launched in 2013. It is the third fund to be set up and managed by Caspian Impact Investment Adviser Private Limited (CIIA). CII extends debt to enterprises with businesses that strive to create a social and/or environmental impact in a responsible, transparent and sustainable manner. It offers term loans, working capital loans and subordinated loans with ticket sizes ranging from Rs. 0.5-15 crore (Rs. 0.01-0.20 crore for its granular book) and tenures ranging from 0.5-5 years. CII's focus sectors include SBF, MFI, food & agriculture (F&A), general impact institutions (GII), HEA, CLE, affordable housing finance and development (AHFD) and financial inclusion enablers (FIE).

### Key financial indicators (audited)

| Caspian Impact Investments Private Limited | FY2021 | FY2022 | FY2023 | 9M FY2024 |
|---|---|---|---|---|
| **Audited/Unaudited** | **Audited** | **Audited** | **Audited** | **Unaudited** |
| **As per** | **Ind-AS** | **Ind-AS** | **Ind-AS** | **Ind-AS** |
| **Total Income** | 56.9 | 67.8 | 84.6 | 70.8 |
| **Profit after tax** | 2.5 | 0.2 | 3.4 | 5.9 |
| **Total managed assets** | 558 | 624 | 687 | 662 |
| **Return on average managed assets** | 0.5% | 0.0% | 0.5% | 1.2% |
| **Gearing (reported; times)** | 2.4 | 2.8 | 3.1 | 2.7 |
| **Gross NPAs** | 2.4% | 2.6% | 1.2% | 1.3% |
| **Capital to risk weighted assets ratio** | 44.6% | 37.2% | 35.3% | 37.6% |

*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

| | Instrument | Current Rating (FY2025) | | | | Chronology of Rating History for the Past 3 Years | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) * | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 | | Date & Rating in FY2022 |
| | | | | | Apr 04, 2024 | Oct 17, 2023 | Mar 28, 2023 | Jul 05, 2021 | Jul 06, 2020 |
| **1** | **Non-convertible debentures** | Long term | 0.00 | 0.00 | - | **[ICRA]BBB+ (Stable); withdrawn** | **[ICRA]BBB (Positive)** | **[ICRA]BBB (Stable)** | **[ICRA]BBB (Stable)** |
| **2** | **Non-convertible debentures** | Long term | 0.00 | 0.00 | - | - | **[ICRA]BBB (Positive); withdrawn** | **[ICRA]BBB (Stable)** | **[ICRA]BBB (Stable)** |
| **3** | **Non-convertible debentures** | Long term | 0.00 | 0.00 | - | - | - | **[ICRA]BBB (Stable)** | **[ICRA]BBB (Stable)** |
| **4** | **Long-term fund-based lines** | Long term | 265.00 | 185.61 | **[ICRA]BBB+ (Stable)** | **[ICRA]BBB (Positive)** | **[ICRA]BBB (Positive)** | **[ICRA]BBB (Stable)** | **[ICRA]BBB (Stable)** |

| | Instrument | Current Rating (FY2025) | | | Chronology of Rating History for the Past 3 Years | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) * | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 | | Date & Rating in FY2022 |
| | | | | | Apr 04, 2024 | Oct 17, 2023 | Mar 28, 2023 | Jul 05, 2021 | Jul 06, 2020 |
| 5 | **Working capital demand loan** | Short term | 40.00 | 40.00 | **[ICRA]A2** | **[ICRA]A2** | **[ICRA]A2** | **[ICRA]A2** | **[ICRA]A2** |

**Source: Company;*

## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| **Long-term fund-based lines** | Simple |
| **Working capital demand loan** | 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

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **NA** | **Long-term fund-based lines** | Aug 18 to Mar 24 | 9.00-12.85% | Jul 23 to Jun 27 | 185.61 | [ICRA]BBB+ (Stable) |
| **NA** | **Long-term bank lines – Proposed/ Unallocated** | NA | NA | NA | 79.39 | [ICRA]BBB+ (Stable) |
| **NA** | **Working capital demand loan** | Jan 22 | 10.80% | 1 year | 40.00 | [ICRA]A2 |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure II: List of entities considered for consolidated analysis – Not applicable

## ANALYST CONTACTS

**Karthik Srinivasan**
+91 22 6114 3444
karthiks@icraindia.com

**A M Karthik**
+91 44 4596 4308
a.karthik@icraindia.com

**R Srinivasan**
+91 44 4596 4315
r.srinivasan@icraindia.com

**Ramya G**
+91 44 4596 4309
ramya.g@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## Helpline for business queries

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

info@icraindia.com

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

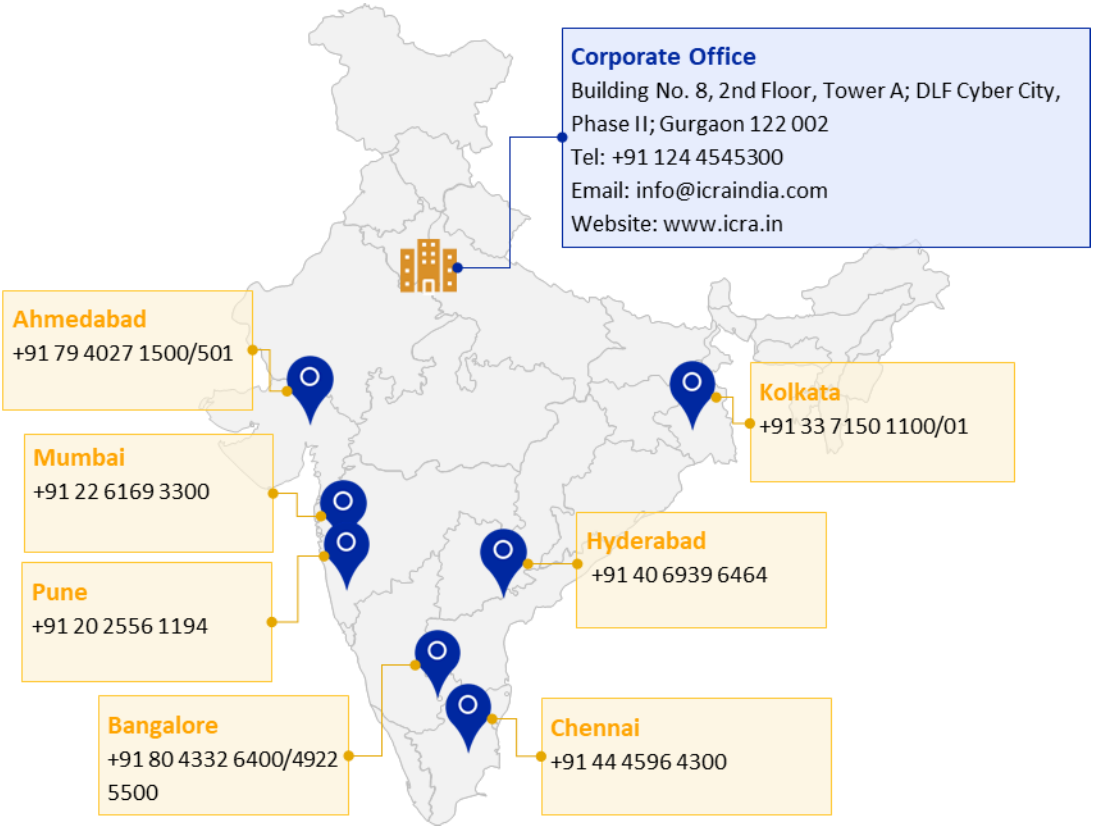
For more information, visit www.icra.in

# ICRA Limited

## Registered Office

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

## Branches






ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.