

May 12, 2025

## Caspian Impact Investments Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term others – Fund based	265.00	265.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term-Fund based working capital facilities	40.00	40.00	[ICRA]A2; reaffirmed
<b>Total</b>	<b>305.00</b>	<b>305.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings factor in Caspian Impact Investments Private Limited's (CII) adequate capitalisation profile and track record of maintaining a prudent financial risk profile. The company's assets under management stood at Rs. 580 crore as of December 2024 (Rs. 638 crore as of March 2024). The decline was on account of a slowdown in partnership-based lending (including business correspondent (BC) arrangements) from June 2024 in response to an increase in delinquencies associated with that portfolio. CII's portfolio is primarily concentrated towards entities operating in the small business finance (SBF), food & agriculture (F&A), platform-based lending, General Impact Institution and microfinance institution (MFI) segments. The top 20 exposures accounted for 34.3% of the loan book as of December 2024 vis-à-vis 34.1% as of March 2024 (38.6% as of March 2023).

CII reported a gearing of 2.6 times and its capital adequacy ratio stood at 39.6% as of December 2024. Its asset quality has remained under control, with the 90+ days past due (dpd) at 2.0% as of December 2024 vis-à-vis 1.1% as of March 2024. ICRA is cognisant of the risk associated with the underlying borrower segment of the company. Nonetheless, ICRA notes that about 11.1% of the portfolio outstanding as of December 2024 was covered by partial credit guarantees from entities such as Rabo Foundation, United States Agency for International Development (USAID), and Michael & Susan Dell Foundation (MSDF), among others. ICRA takes note of CII's conservative customer selection practices, portfolio monitoring mechanism and defined recovery process for overdue loans. The company's earnings profile remained subdued in 9M FY2025, with profitability on an average managed assets (AMA) basis at 0.7% and on an average net worth basis at 2.6% (1.2% and 5.0%, respectively, in FY2024).

ICRA notes that the proposed merger of CII with Blacksoil Capital Private Limited (BCPL; rated [ICRA]BBB+ (Positive)/[ICRA]A2) is under process. The proposal has been approved by the Reserve Bank of India (RBI) while the National Company Law Tribunal's (NCLT) approval is awaited. The management expects the merger to be completed by H1 FY2026. Following the successful completion of the transaction, CII will cease to exist and the merged entity will operate under the brand name of Blacksoil.

The successful completion of the merger is expected to favourably impact the scale of operations, customer network, investor base and borrowing franchise of the merged entity. Also, the merged entity is expected to maintain a more diversified product mix. In addition to lending in the wholesale segment, which is common territory for both entities, CII is focused on the F&A sector and SBF through its co-lending partnerships, while BCPL has an established presence in lending to growth companies and providing supply chain finance (through on-balance sheet and co-lending). Additionally, while BCPL predominantly operates in a segment with a ticket size of Rs. 5-30 crore, the relatively lower ticket size of CII will render granularity to the portfolio. ICRA takes note of the modest overlap of customers between CII and BCPL. ICRA will continue to monitor the development of the merger process.

## Key rating drivers and their description

### Credit strengths

**Adequate capitalisation profile** – CII is adequately capitalised with a gearing of 2.6 times as of December 2024 (2.9 times as of March 2024) and a capital-to-risk weighted assets ratio (CRAR) of 39.6% as of December 2024 (36.4% as of March 2024). ICRA expects CII to maintain prudent capitalisation levels until the merger is concluded. Further, ICRA expects the merged entity's capitalisation profile to remain adequate with a tangible net worth of ~Rs. 650.0 crore and a gearing of ~1.7 times (basis ICRA's projected financials as of March 2025). Further, the proposed merger would be settled through a share swap; hence, no cash outflow is expected on account of this transaction. All the shareholders of CII (except SIDBI's Samridhi Fund's 20.04% stake, which was bought by BPCL in Q4 FY2025) are expected to become shareholders of the merged entity.

### Credit challenges

**Moderate scale of operations; concentrated loan book** – CII's scale of operations remains moderate with the AUM at Rs. 580 crore as of December 2024 (Rs. 638 crore as of March 2024). The portfolio is primarily concentrated towards entities operating in the SBF, F&A, platform-based lending, and MFI segments. 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), partnership-based lending (co-lending), etc. The loan book remains concentrated, given the high share of the top exposures. The top 20 exposures accounted for 34.3% of the loan book and 110.1% of the net worth as of December 2024. Nevertheless, all top 20 accounts were regular with no overdues as of December 2024.

**Moderate risk profile of exposures; mitigated to an extent by credit guarantee facilities** – CII's AUM consists of exposures to financial services entities (45.7% as of December 2024), loans via co-lending/partnership arrangements (23.2%), and non-financial corporates (31.1%). Its credit exposures are predominantly to small and mid-sized non-banking financial companies (NBFCs)/corporates with moderate risk profiles. The share of co-lending/partnership arrangements declined to 23.2% of AUM as of December 2024 from 25.6% as of March 2024, as the company slowed down its disbursements on account of the asset quality pressure witnessed in this segment from June 2024. CII is in the process of renegotiating some of the partnership arrangements and is expected to gradually ramp up the disbursements in this segment going forward.

CII also has access to partial credit guarantee facilities from Rabo Foundation, USAID, and MSDF, which helps derisk a portion of its direct lending 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 underwriting and risk management norms. The portfolio under guarantee stood at 11.1% of the overall portfolio as on December 31, 2024 (14.8% as on March 31, 2024).

**Subdued profitability, given high operating expenses** – CII's net interest margin improved to 6.7% of the AMA in 9M FY2025 from 5.9% in FY2024 as it restricted incremental disbursements to lower-yield exposures. However, operating expenses also increased to 4.7% in 9M FY2025 (3.7% in FY2024) due to a combination of merger-related expenses and integration of a technology partner for the company's small-ticket loans. Credit costs also increased to 1.3% of AMA in 9M FY2025 from 0.2% in FY2024, with increased delinquencies in the partnership business. Overall, the company's profitability remained subdued at 0.7% of AMA in 9M FY2025 (1.2% in FY2024).

### 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 up to one year as per its asset-liability management profile. Further, the liquidity profile is supported by adequate on-book liquidity and the presence of unutilised funding lines. As on March 31, 2025, the company had an unencumbered cash and bank balance of Rs. 46.7 crore and scheduled collections of Rs. 165.0 crore from April 2025 to June 2025 against scheduled debt obligations of Rs. 70.9 crore during the same period.

## Rating sensitivities

**Positive factors** – The ratings could be positively impacted by significant growth in the scale of operations, coupled with a sustainable improvement in the profitability indicators (return on managed assets (RoMA) of more than 2%), while maintaining good asset quality and prudent capitalisation.

**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 ratings.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a>
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. The company 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 of 0.5-5 years. CII’s focus sectors include SBF, MFI, F&A, general impact institutions (GII), HEA, CLE, affordable housing finance and development (AHFD) and financial inclusion enablers (FIEs).

## Key financial indicators

Caspian Impact Investments Private Limited	FY2023	FY2024	9M FY2025
Total income	84.6	97.5	79.0
PAT	3.4	8.5	3.5
Total managed assets	686.8	714.8	660.5
Return on managed assets	0.5%	1.2%	0.7%
Managed gearing (times)	3.1	2.9	2.6
Gross stage 3	1.2%	1.1%	2.0%

Source: Company, ICRA Research; All ratios are 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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 12, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Long-term others – Fund based</b>	Long term	265.00	[ICRA]BBB+ (Stable)	Sep 12, 2024	[ICRA]BBB+ (Stable)	17-OCT-2023	[ICRA]BBB+ (Stable)	28-MAR-2023	[ICRA]BBB (Positive)
				Apr 04, 2024	[ICRA]BBB+ (Stable)			01-JUL-2022	[ICRA]BBB (Positive)
<b>Short-term– Fund based working capital facilities</b>	Short term	40.00	[ICRA]A2	Sep 12, 2024	[ICRA]A2	17-OCT-2023	[ICRA]A2	28-MAR-2023	[ICRA]A2
				Apr 04, 2024	[ICRA]A2			01-JUL-2022	[ICRA]A2
<b>Non-convertible debentures</b>	Long term	-	-	Sep 12, 2024	-	17-OCT-2023	[ICRA]BBB+ (Stable); withdrawn	28-MAR-2023	[ICRA]BBB (Positive)
				Apr 04, 2024	-			01-JUL-2022	[ICRA]BBB (Positive)

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Long-term others – Fund based</b>	Simple
<b>Short-term working capital demand loan – Fund based</b>	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	Jul 22 to Apr 25	10.45%- 12.70%	Mar 25 to Oct 28	137.6	[ICRA]BBB+ (Stable)
NA	Long-term bank lines – Proposed/Unallocated	NA	NA	NA	127.4	[ICRA]BBB+ (Stable)
NA	Working capital facilities	Apr 24	11.30%	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

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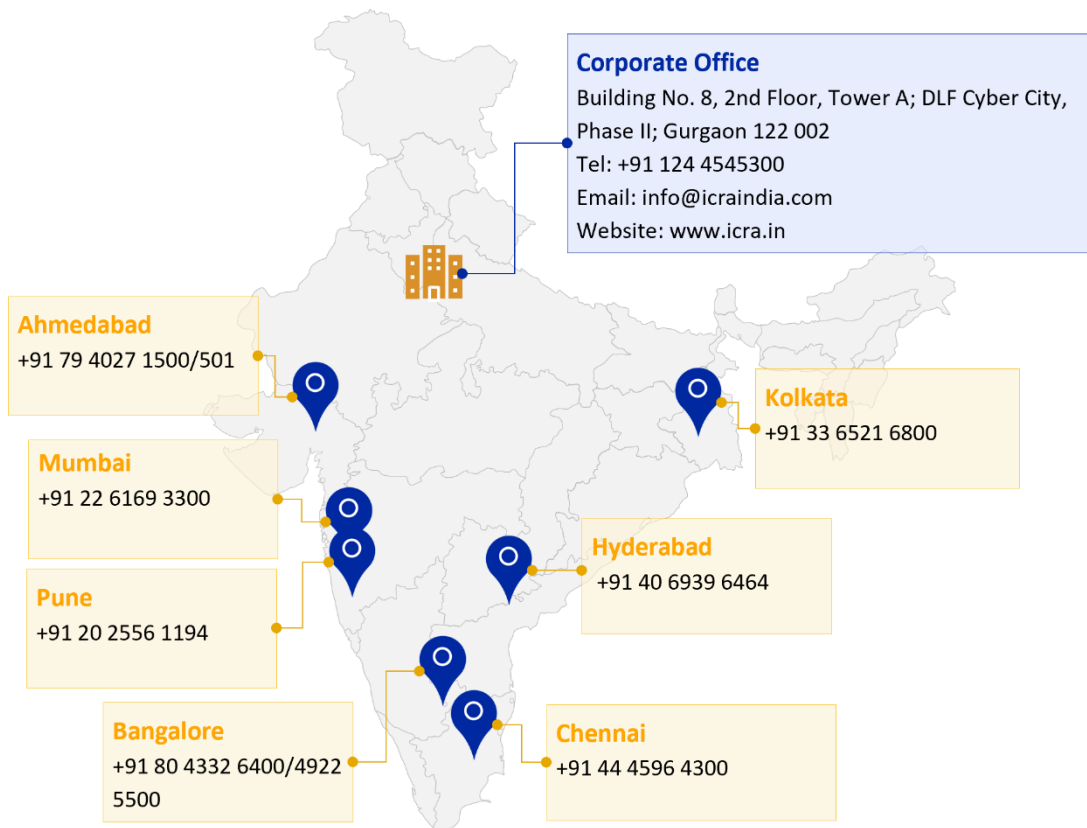
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