

November 09, 2021<sup>Revised</sup>

## Visage Holdings & Finance Pvt. Ltd.: Ratings reaffirmed; [ICRA]A3 assigned to short-term bank facilities; ratings reaffirmed and simultaneously withdrawn for Rs. 17.5-crore NCD programme

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD programme	17.50	-	[ICRA]BBB-(Negative); reaffirmed and withdrawn
NCD programme	85.50	85.50	[ICRA]BBB-(Negative); reaffirmed
CP programme	60.00	60.00	[ICRA]A3; reaffirmed
Long-term Bank facilities	50.00	25.00	[ICRA]BBB-(Negative); reaffirmed
Short-term Bank facilities	-	25.00	[ICRA]A3; assigned
<b>Total</b>	<b>213.00</b>	<b>195.50</b>	

\*Instrument details are provided in Annexure-1; In addition to the above instruments, ICRA has a rating outstanding on the pooled loan issuance (PLI) programme of Northern Arc Capital Limited. Refer to [Link-1](#), [Link-2](#), and [Link-3](#) for details

### Rationale

The ratings consider Visage Holdings & Finance Private Limited's (Kinara) experienced senior management team and its adequate capitalisation profile, characterised by a managed gearing<sup>1</sup> of 4.2 times (gearing<sup>2</sup> of 3.6 times) as on September 30, 2021. ICRA takes note of the improvement in the softer bucket delinquencies and collection efficiency in Q2 FY2022, after the weakening witnessed in Q1 FY2022 when the operations were impacted by the second wave of the Covid-19 infections.

The 0+PAR improved to 13.9% in September 2021 from the peak of 22.4% in June 2021 (17.0% in March 2021). Kinara's overall collection efficiency<sup>3</sup> steadily improved to 88% in September 2021 vis-a-vis 78% in June 2021 (89% in March 2021). The ratings, however, note that the 90+PAR remained high at 8.0% in September 2021 vis-a-vis 4.9% in March 2021 (8.2% in June 2021). The write-offs, however, were limited at about Rs. 6.9 crore in H1 FY2022 (1.5% of the AAUM<sup>4</sup>; annualised) vis-à-vis Rs. 43.4 crore (4.9% of the AAUM).

As of September 2021, the restructured book stood at about 7.5% of the AUM. The ratings take note of the CGTMSE<sup>5</sup> cover available for the company's portfolio, covering 63% of its AUM as of September 2021; about 74% of the 90+PAR as of September 2021 is covered by the scheme. The company started receiving inflows against claims made under the CGTMSE scheme in H1 FY2022. However, access to this scheme remains to be seen, considering the interest rate cap of 18% for loans to be incrementally covered by this scheme and the claims payout cap.

The ratings continue to factor in the company's moderate scale of operations with the top three states (Tamil Nadu, Karnataka and Maharashtra) accounting for about 72% of its portfolio as on September 30, 2021. ICRA notes that the company had breached some financial covenants with its lenders and has received temporary relaxation from most of the lenders. The

<sup>1</sup> Managed gearing = (Borrowings + off-book AUM) / Net worth

<sup>2</sup> Gearing = Borrowings / Net worth

<sup>3</sup> Collection efficiency = Actual collection for the month / Collection due for the month

<sup>4</sup> Average assets under management

<sup>5</sup> CGTMSE - Credit Guarantee Fund Trust for Micro and Small Enterprises

company's liquidity position is adequate at present; it had secured Rs. 224-crore of fresh funding in H1 FY2022. Going forward, Kinara's ability to raise equity in a timely manner would be crucial for growth while maintaining an adequate capital profile.

The Negative outlook on the long-term rating considers Kinara's asset quality pressures and the consequent impact on its net profitability (profit after tax (PAT)/AMA), which remained subdued at 0.6% (provisional; annualised) for H1 FY2022 and 0.5% in FY2021 vis-a-vis 1.8% in FY2020.

ICRA has also reaffirmed and withdrawn the long-term rating on the Rs. 17.5-crore non-convertible debenture (NCD) programme in accordance with ICRA's policy on the withdrawal of credit ratings as the instrument has matured and is fully repaid

## Key rating drivers and their description

### Credit strengths

**Good growth potential and experienced management team; target segment is risky** – Kinara provides loans to small businesses for asset purchase and working capital requirements. Its borrower profile consists of small businesses with an annual turnover in the range of Rs.6 lakh to Rs. 6 crore. The company's borrowers are usually traders (50% in September 2021) and small manufacturers (49%), a largely unserved segment, thus offering good growth potential.

Kinara has an experienced management team with adequate domain knowledge, which enables it to frame and develop robust lending and monitoring systems that are crucial to support the growth of its AUM given the borrower profile. The company has automated its workflow process, which is expected to improve its turnaround time and improve efficiency. Kinara, however, continues to maintain its field presence for credit assessment, considering the target borrower segment, which typically has limited documents for income proof. The loans are either unsecured or secured by the hypothecation of machinery and receivables.

**Adequate capitalisation profile; to improve post envisaged capital infusion** – The company's capitalisation is adequate with a managed gearing of about 4.2 times (gearing of 3.6 times) as on September 30, 2021 and 4.0 times as on March 31, 2021. It raised capital of Rs.83.7 crore in March 2019, Rs. 16.3 crore in June 2019 and Rs. 23 crore, in November 2020, which supported its business growth. Kinara reported Tier-I and CRAR of 24.4% and 28.0%, respectively, as on September 30, 2021 compared to 25.7% and 29.2%, respectively, as on March 31, 2021. Given the growth plans, a timely infusion of capital would be required in the near to medium term to maintain an adequate capital structure while maintaining a managed gearing below 5.0 times. Kinara envisages to raise about Rs. 200-300 crore equity in FY2022.

### Credit challenges

**Asset quality pressure remains; overall overdues however moderated** – As on September 30, 2021, 68% of Kinara's portfolio was unsecured (57% as on March 31, 2021), while the balance was secured by the hypothecation of machinery and other receivables. The asset quality has been under pressure because of the impact of the pandemic on the income profile of the company's borrowers. After the first wave of pandemic, the 0+PAR increased to 20.3% in September 2020 from 7.9% in August 2020.

Although the collection efficiency improved steadily and reached a level of about 88% in Q4 FY2021 vis-a-vis about 70% in Q2 FY2021, the second wave induced lockdowns impacted the collection efficiency in May 2021 (76%) and June 2021 (78%). With the easing of lockdowns and improvement in collections, the 0+PAR improved to 13.9% in September 2021 from the peak of 22.4% in June 2021 (17.0% in March 2021). The 90+PAR, however, remained high at 8.0% September 2021 vis-a-vis 4.9% in March 2021.

The company's reported gross stage 3 (GS3) assets stood at 12.3% as of September 2021 (90+PAR of 8.0% and gross non-performing assets; GNPA as per RBI reporting of 9.0%). The difference between the GNPA and the GS3 assets was because of the inclusion of some of the standard restructured accounts in GS3 assets and other IndAS adjustments towards the interest

accrued. ICRA notes that the company has taken cover under the CGTMSE scheme for around 63% of its portfolio. Further, the company has extended loans under the ECLGS scheme in the last fiscal, which accounted for about 4% of the portfolio in September 2021. Adjusting for the NPAs covered by CGTMSE and ECLGS schemes, net NPA is 1.1% as on September 30, 2021 (1.2% in March 2021).

While the benefits of CGTMSE were visible in H1 FY2022, a track record of timely and adequate settlement of claims remains to be seen and would be key from a rating perspective. Further, access to this scheme remains to be seen, considering the interest rate cap of 18% for loans incrementally to be covered by this scheme and the claims payout cap. Kinara's ability to effectively control further slippages and revive the asset quality would be crucial going forward.

Kinara wrote off loans amounting to Rs. 43.0 crore in FY2021 (4.5% of AAUM) compared to about Rs. 26.0 crore (3.4%) in FY2020, which limited the increase in the 90+PAR in FY2021. In H1 FY2022, the write offs amounted to about Rs. 6.9 crore.

**Moderate scale and geographically concentrated operations** – The company's current scale of operations remains moderate with an AUM of Rs. 928.9 crore as on September 30, 2021 (Rs. 903.2 crore as on March 31, 2021 and Rs. 853.4 crore in March 2020). Kinara reported a slight improvement in AUM in the current fiscal as disbursements picked up in Q2 FY2022. While the company is present in six states with 110 branches, its portfolio remains concentrated in the top three states (Tamil Nadu, Karnataka and Maharashtra), which accounted for ~72% of the portfolio as on September 30, 2021. Kinara is targeting an AUM of ~Rs. 1,400-1,500 crore by March 2022 and expects to diversify its product base by offering short-term loan products to its target borrower segment, namely supply chain financing and other working capital facilities.

**Subdued profitability** – Kinara's net profitability (PAT/AMA) moderated to 0.6% in FY2021 vis-à-vis 1.8% in FY2020 as the credit cost increased to 3.5% FY2021 from 1.5% in FY2020. The company reported a subdued net profitability (PAT/AMA) of 0.6% (provisional) in H1 FY2022. Increased collection efforts and other initiatives to augment IT and internal MIS increased the operating expense ratio (operating expenses/AMA) to 8.3% (provisional; annualised) in H1 FY2022 from 7.1% in FY2021. The credit cost of the company reduced to Rs. 6.7 crore in H1 F2022 (1.5% of AAUM; annualised) from Rs. 43.5 crore (4.9% of the AAUM) in FY2021. Kinara's ability to keep its credit cost and operating efficiencies under control would be crucial for incremental profitability.

## Liquidity position: Adequate

Kinara had unencumbered cash and liquid investments of about Rs.209 crore as on September 30, 2021, while its repayment obligations (principal + interest) during the October-December 2021 period stood at Rs. 172 crore (includes NCDs with put options exercisable during this period; deferral of the same is under consideration with lenders). Monthly collections, which were impacted by the Covid 19-related lockdown in April 2021, also improved steadily in Q2 FY2022. Kinara's liquidity profile is, therefore, considered to be adequate at present.

Kinara's lender profile, as on September 30, 2021, comprised debentures from foreign portfolio investors (FPIs), constituting 36% of the total borrowings. While Non-banking financial companies/financial institutions, term loans from banks, external commercial borrowings (ECBs) and alternative investment funds (AIFs) formed 34%, 19%, 8% and 2%, respectively, of the total borrowings. ICRA notes that the company was in breach of some financial covenants with its lenders (3.1% of the total borrowing as on March 2021 and 6.9% of the total borrowings as of March 2020) and has received temporary relaxation of the same and have not demanded repayments of the same.

## Rating sensitivities

**Positive factors** – Given the Negative outlook, a rating upgrade is less likely in the near term. The outlook could be revised to Stable if the company improves its asset quality on a sustained basis, leading to an improvement in its earnings.

**Negative factors** – ICRA could downgrade the ratings if Kinara's asset quality deteriorates further, impacting its earnings. The weakening of the funding profile or a significant increase in leverage from the expected levels on a sustained basis would also negatively impact the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Non-Banking Finance Companies</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

## About the company

Visage Holdings & Finance Private Limited is a non-deposit taking non-banking financial company (NBFC), incorporated in 1996. The current promoters acquired Kinara in September 2011 and commenced lending operations in November 2011. The company offers credit facilities to small businesses under the brand name Kinara Capital. It provides secured (hypothecation of machinery) and unsecured term loans and working capital facilities with a maximum ticket size of Rs. 30 lakh. Currently, the company operates in Karnataka, Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh and Telangana with its head office in Bengaluru. As on September 30, 2021, Kinara was operating in six states through 110 branches and had a managed portfolio of Rs. 928.9 crore.

## Key financial indicators (audited)

Visage Holdings & Finance Private Limited	FY2020	FY2021	H1 FY2022#
Total income (Rs. crore)	221.7	233.0	119.3
Profit after tax (Rs. crore)	18.1	7.5	3.4
Net worth (Rs. crore)	200.8	230.8	234.4
Total managed portfolio (Rs. crore)	884.4	957.9	986.2
Total managed assets (Rs. crore)	1,069.7	1,237.7	1,296.39
Return on managed assets (%)	1.8%	0.6%	0.5%
Return on net worth (%)	9.9%	3.5%	2.95%
Managed gearing (times)	3.9	4.0	4.2
Gross stage 3 (%)	6.1%	10.4%*	12.3%*
Net stage 3 (%)	3.6%	8.2%*	10.4%*
Net stage 3 / Net worth	14.7%	30.2%*	37.2%*
CRAR (%)	28.8%	29.2%	28.0%

**Source:** Company, ICRA research; All ratios as per ICRA calculations; #Provisional

\*Gross NPA, Net NPA and Net NPA/Net-worth as per RBI reporting stands at 9.0%, 6.0% and 23.8% respectively as on September 30, 2021 and 5.4%, 3.4% and 13.1% respectively as on March 31, 2021. Net NPA adjusted for the portfolio covered by CGTMSE and ECLGS schemes stood at 1.1% as on September 30, 2021 and 1.2% as on March 31, 2021.

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

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of October 31, 2021 (Rs. crore)	Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019		
					Nov 09, 2021	Jul 06, 2021 Apr 19, 2021	Oct 28, 2020 Sep 16, 2020 Sep 07, 2020	May 18, 2020	Feb 14, 2020	Mar 13, 2019 Oct 18, 2018	Sep 18, 2018	Apr 04, 2018
1	NCD programme	Long-term	85.50	85.50*	[ICRA]BBB-(Negative)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Positive)	[ICRA]BBB-(Positive)	[ICRA]BBB-(Stable)
2	NCD programme	Long-term	17.50	-	[ICRA]BBB-(Negative); reaffirmed and withdrawn	[ICRA]BBB-(Negative)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Positive)	-	-
3	CP programme	Short-term	60.00	60.00*	[ICRA]A3	[ICRA]A3	[ICRA]A3	-	-	-	-	-
4	Long-term loans	Long-term	25.00	25.00*	[ICRA]BBB-(Negative)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Negative)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Positive)	[ICRA]BBB-(Positive)	[ICRA]BBB-(Stable)
5	Short-term loans	Short-term	25.00	-	[ICRA]A3	-	-	-	-	-	-	-

\*includes unallocated limits of Rs.4.37 crore, Rs.45 crore and Rs.25 crore towards NCD programme, CP Programme and Long-term loans respectively.

## Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD programme	Simple
CP programme	Very Simple
Long-term loans	Simple
Short-term loans	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 analyzing 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No/ Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
INE200W07068	NCD programme	Oct 17, 2018	12.25%	Oct 17, 2021	17.50	[ICRA]BBB- (Negative); reaffirmed and withdrawn
INE200W07183	NCD programme	May 25, 2018	12.60%	Dec 24, 2024	32.00	[ICRA]BBB- (Negative)
INE200W07175	NCD programme	Apr 16, 2021	12.00%	Apr 13, 2024	49.13	[ICRA]BBB- (Negative)
-	NCD programme- Unallocated	NA	NA	NA	4.37	[ICRA]BBB- (Negative)
INE200W14056	CP programme	July 15, 2021	13.60%	Dec 30, 2021	15.00	[ICRA]A3
-	CP programme- Unallocated	NA	NA	NA	45.00	[ICRA]A3
-	Long-term loan - Unallocated	NA	NA	NA	25.00	[ICRA]BBB- (Negative)
SIDBI	Short-term loan	-	6.85%	Sep 10, 2022	25.00	[ICRA]A3

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Not Applicable

### Corrigendum

Document dated November 09, 2021 has been corrected with revisions as detailed below:

Page 5- In the Rating history for past three years table, values in amount outstanding as on October 31, 2021 are rectified as mentioned below

Instrument	Amount outstanding as of October 31, 2021 (Rs. Crore)	
	Previous value	Corrected value
NCD programme	85.50	85.50*
CP programme	NA	60.00*
Long-term loans	-	25.00*

*\*includes unallocated limits of Rs.4.37 crore, Rs.45 crore and Rs.25 crore towards NCD programme, CP Programme and Long-term loans respectively.*

Page 5- The rating history for past three years is rectified to depict chronological flow.

## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**A M Karthik**  
+91 44 4596 4308  
[a.karthik@icraindia.com](mailto:a.karthik@icraindia.com)

**Shruti Nitin Padlekar**  
+91 22 6114 3400  
[shruti.padlekar@icraindia.com](mailto:shruti.padlekar@icraindia.com)

**Deepali Panda**  
+91 80 4332 6400  
[deepali.panda@icraindia.com](mailto:deepali.panda@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jyantac@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)

## 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](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

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](http://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.