March 21, 2025

Cashpor Micro Credit: Rating reaffirmed; rating withdrawn for Rs. 32.71-crore bank lines

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loan	32.71	0.00	[ICRA]A- (Stable); reaffirmed and withdrawn
Subordinated debt	25.00	25.00	[ICRA]A- (Stable); reaffirmed
Total	**57.71**	**25.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in Cashpor Micro Credit's (CMC) established track record in microfinance operations and its comfortable asset quality. The company has been able to report healthy collection efficiency (CE) and asset quality indicators over the last few years, given its strong borrower connect. The rating also considers the adequately diversified borrowing profile with credit lines from different lenders, comprising a good mix of private and public sector banks and non-banking financial companies (NBFCs)/financial institutions (FIs).

ICRA takes note of the decline in the assets under management (AUM) in 9M FY2025, given the industry-wide asset quality stress. CMC's AUM stood at Rs. 4,235 crore as on December 31, 2024 (Rs. 5,392 crore as on March 31, 2024), declining by 29% (annualised) in 9M FY2025. The microfinance industry is facing headwinds with significant deterioration in the asset quality due to various issues, including but not limited to borrower overleveraging, adverse climatic conditions and operational challenges, primarily employee attrition. While CMC's gross non-performing assets (GNPAs)[1] increased in 9M FY2025 to 1.3% as on December 31, 2024 from 0.4% as on March 31, 2024, it remains comfortable and better than the overall sector trends. Nonetheless, given the geographically concentrated operations and the marginal borrower profile amid the stress in the microfinance sector, the asset quality remains a monitorable. ICRA takes comfort from the healthy CE reported by the company and its track record of maintaining the asset quality over cycles.

The rating is constrained by the challenges faced by CMC in raising equity capital, given its constitution as a not-for-profit company. Its adjusted[2] and managed[3] gearing levels remain moderate at 3.4 times and 5.9 times, respectively, as on December 31, 2024. Moreover, the operations are geographically concentrated with Uttar Pradesh accounting for 50% of the AUM as on December 31, 2024, followed by Bihar (32%). The rating also factors in the risks associated with the unsecured nature of microfinance loans, the marginal borrower profile, which is susceptible to income shocks, and the political and operational risks inherent in the microfinance business.

ICRA has reaffirmed and simultaneously withdrawn the rating for Rs. 32.71 crore bank facilities of Cashpor Micro Credit at the request of the company. The rating is being withdrawn based on the receipt of a No Objection Certificate/ No Dues Confirmation from the respective lenders and at the request of the company. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

[1] Refers to on-book GNPA; GNPA on overall portfolio was 1.80% as on December 31, 2024 (0.62% as on March 31, 2024)
[2] On-book debt/(Net worth – First loss default guarantee)
[3] (On-book debt + Off-book portfolio)/Net worth

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that CMC will be able to maintain its credit profile while steadily growing its scale of operations and keeping its asset quality indicators at healthy levels.

Key rating drivers and their description

Credit strengths

Established track record of operations in microfinance – CMC is an established player in the microfinance industry with a track record of more than 20 years. It draws upon the experience of its promoters and management personnel, some of whom have remained with the company for long, and upon the instituted policies, operational infrastructure and guidance therefrom. CMC also provides education and healthcare services to its borrowers/families. As on December 31, 2024, its operations were spread across 107 districts in 6 states with an AUM of Rs. 4,235 crore.

Comfortable asset quality profile – CMC's asset quality indicators remain comfortable with GNPAs of 1.3% (0.4% as on March 31, 2024) and net NPAs of 0.3% as on December 31, 2024 (0.4% as on March 31, 2024). While delinquencies increased in 9M FY2025, given the industry-wide asset quality issues, the overall asset quality remains comfortable. CMC maintained the current CE at 98-99% in 9M FY2025 because of its strong connect with its borrowers as it charges a comparatively lower rate of interest and provides healthcare and education facilities, thereby motivating them to pay their instalments on time. Further, its predominantly weekly collection model enables closer engagement levels with its borrower base. As a result, the company's asset quality numbers are better than the industry. However, given the geographically concentrated operations and the marginal borrower profile amid the stress in microfinance sector, the asset quality remains a monitorable.

Credit challenges

Challenges in raising equity capital, given its constitution as a not-for-profit company – CMC is a not-for-profit company registered under Section 8 of the Companies Act, 2013. While its reported a capital adequacy ratio of ~30%, as on December 31, 2024 (20.1% as on March 31, 2024), was above the regulatory requirement of 15%, raising equity shall remain a challenge due to its constitution as a not-for-profit company. ICRA takes note of the decline in the gearing levels in 9M FY2025, largely due to the decline in the AUM during this period. Its gearing (on-book) declined to 2.8 times from 5.2 times as on March 31, 2024. Its adjusted and managed gearing stood at 3.4 times and 5.9 times, respectively, as on December 31, 2024 (6.6 times and 9.2 times, respectively, in March 2024).

The earnings profile remains moderate on account of the relatively lower yields. The company reported a profit after tax of Rs. 69.8 crore in 9M FY2025, translating to a return of 1.7% on average managed assets (RoMA) and 14.7% on average net worth, compared with Rs. 95.8 crore, 1.7% and 17.3%, respectively, in FY2024. CMC's ability to maintain a prudent capitalisation profile as it scales up its operations remains a monitorable, considering its moderate earnings and challenges in raising equity capital.

Geographically concentrated portfolio – As on December 31, 2024, CMC's operations were spread across 107 districts in 6 states with the top 3 states accounting for 90% of the portfolio (91% as on March 31, 2024). Nonetheless, the AUM remains concentrated with a high share in Uttar Pradesh (50%) and Bihar (32%) as on December 31, 2024. Further, there is scope for improving the district-level diversification as the top 10 and 20 districts comprised 32% and 54%, respectively, of the AUM as of December 2024. ICRA takes note of the company's plans to gradually diversify its operations with a focus on relatively newer states such as Odisha, Chhattisgarh, Jharkhand and Madhya Pradesh (MP).

Political, communal and other risks in microfinance sector, given the marginal borrower profile – Microfinance remains susceptible to the risks associated with unsecured lending to marginal borrowers with limited ability to absorb income shocks and the rising borrower leverage levels owing to an increase in multiple lending in the areas of operations. Further, political and operational risks associated with microfinance may result in high volatility in the asset quality indicators. The microfinance industry is prone to socio-political, climatic and operational risks, which could negatively impact its operations. CMC's ability to onboard borrowers with a good credit history, recruit and retain employees as well as improve the geographical diversity of its operations would be a key rating sensitivity.

Liquidity position: Adequate

As on December 31, 2024, the company held a free cash and bank balances of ~Rs. 397 crore. As per the asset-liability management statement as on December 31, 2024, CMC had scheduled inflows from advances of Rs. 1,727 crore against scheduled debt repayments of Rs. 1,535 crore during January 1, 2025 to December 31, 2025. Factoring in the expected collections from advances, the liquidity profile is expected to remain adequate to meet the debt obligations in a timely manner.

Rating sensitivities

Positive factors – A significant increase in the scale of operations along with comfortable asset quality and profitability indicators, while maintaining a prudent capitalisation profile, could positively impact the rating.

Negative factors – A significant deterioration in the asset quality, leading to the weakening of the profitability with RoMA of less than 1%, or an increase in the leverage on a sustained basis could put pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

CMC is a not-for-profit company formed in 2002 under Section 8 of the Companies Act, 2013 and is registered as a non-banking financial company-microfinance institution (NBFC-MFI) with the Reserve Bank of India (RBI). It provides microfinance exclusively to women below the poverty line in Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh and Odisha. The company provides microcredit for income-generating activities. It also provides credit for the improvement of social infrastructure like the construction of toilets, purchasing smokeless stoves, getting LPG connections, etc.

The company is a part of the Cashpor Group, which comprises Cashpor Trust, Cashpor Financial and Technical Services Pvt Ltd and CMC. On March 24, 2023, CMC received its NBFC-MFI registration from the RBI. As on December 31, 2024, the company operated through a network of 781 branches spread over 6 states serving 10.6 lakh active clients. It reported a profit after tax (PAT) of Rs. 69.8 crore in 9M FY2025 with a managed portfolio of Rs. 4,235 crore as on December 31, 2024 compared to a PAT of Rs. 95.8 crore in FY2024 with a managed portfolio of Rs. 5,392 crore as on March 31, 2024.

Key financial indicators (audited)

Cashpor Micro Credit	FY2023	FY2024	9M FY2025*
Accounting as per	**Ind-AS**	**Ind-AS**	**Ind-AS**
Total income	617.1	713.9	543.0
Profit after tax (PAT)	88.6	95.8	69.8
Total managed assets (grossed up for provisions)	5,238.3	6,308.4	4,764.0
PAT/Average managed assets	1.8%	1.7%	1.7%
Gearing (reported; times)	5.5	5.2	2.8
Gearing (adjusted; times)	7.3	6.6	3.4
Gearing (managed; times)	9.1	9.2	5.9

Cashpor Micro Credit	FY2023	FY2024	9M FY2025*
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Gross non-performing assets	0.6%	0.6%	1.8%
CRAR	17.9%	20.1%	29.9%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; *Limited review; Amount in Rs. crore; CRAR – Capital to risk-weighted assets ratio; Managed gearing = (On-book debt + Off-book portfolio)/Net worth; Adjusted gearing = On-book debt/(Net worth – First loss default guarantee)*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	March 21, 2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
					Mar 04, 2024	Apr 18, 2023	Apr 6, 2022	-
1	**Long-term fund-based term loan**	Long term	0.00	[ICRA]A- (Stable); withdrawn	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-
2	**Subordinated debt**	Long term	25.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based term loan	Simple
Subordinated debt	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loans**	Feb-21 to Sep-21	MCLR + 1.5% to MCLR + 2.0%	Aug-23 to Sep-24	0.00	[ICRA]A- (Stable); withdrawn
NA	**Subordinated debt***	Aug-23	LTLR – 9.05%	Apr-29	25.00	[ICRA]A- (Stable)

**Term loan*

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

Prateek Mittal
+91 33 5621 6812
prateek.mittal@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

Chandni
+91 124 4545 844
chandni@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

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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