



Thirumeni Finance Private Limited

Instrument	Amount	Rating Action
Non Convertible Debenture Programme	USD 3.00 million	[ICRA]BB+(stable); Assigned
Non Convertible Debenture Programme	USD 2.00 million	[ICRA]BB+(stable); upgraded from [ICRA]BB(stable)
Long term bank facilities	Rs. 15.80 crore	[ICRA]BB+(stable); upgraded from [ICRA]BB(stable)

ICRA has upgraded the rating of the Rs. 15.80 crore* long term bank facilities and USD 2.00 million Non-Convertible Debenture (NCD) Programme of Thirumeni Finance Private Limited (TFPL' the company") from **ICRA]BB (pronounced ICRA double B)** to **ICRA]BB+ (pronounced ICRA double B plus)**†. The outlook on the rating is **Stable**. ICRA has also assigned the **[ICRA]BB+ (pronounced ICRA double B plus)** rating with a stable outlook to the USD 3.00 million Non-Convertible Debentures (NCDs) programme of the company.

The upward revision in rating factors in the company's initiatives to achieve portfolio growth and geographical diversification; ex-Karnataka portfolio increased to 39% as in September 2015 as compared to 2% in March 2014, while maintaining stable asset quality indicators (90+dpd of 1.06% in September 2015 vis a vis 1.41% in March 2014). The rating revision also takes note of the ability of the company to raise equity from external investors (Rs.27.3 crore raised in FY2015 and additional Rs. 4.3 crore raised in H1 FY2016) and the management's efforts to improve the internal controls and monitoring processes, which are critical as the company expands to new geographies. The growth in TFPL's loan book (60% in H1 FY2016 from Rs. 54.5 crore in March 2015 to Rs. 87.2 crore in September 2015) was supported by improvement in sources of debt funding and the on-boarding of new lenders in FY2015. (Total dependence on funding from banks and financial institutions reduced to 80% in September 2015 from 96% in March 2014.) TFPL is adequately capitalized with net worth of about Rs. 37.8 crore with a gearing of 1.7 times as on September 2015. Assuming a CAGR growth of around 30-35% and gearing capped at 3.5 times, TFPL would require incremental capital of around Rs. 20 crore over the next three year period. Maintaining the capitalization at comfortable levels and achieving a more diversified funding mix as the business expands, would be important rating considerations going forward.

As for earnings profile, TFPL achieved financial breakeven in FY2015 supported by rationalization of operating expenses as the business expanded (operating expenses as a proportion of average assets moderated from 19.4% in FY2014 to 10.6% in FY2015). The Company reported a RoA and RoE of 0.8% and 2.1% for FY2015. The company is in an expansionary phase, both in terms of business and geography and expects a portfolio CAGR of around 30-35% in the near term. Going forward, ICRA expects the company to register profitability (RoA) of 2-2.5% provided the company is able limit its credit cost and operating cost at reasonable levels in view of the high envisaged growth rates.

Company Profile

Thirumeni Finance Private Limited is a non-deposit taking Non-Banking Finance Company, incorporated in Cochin, Kerala on 12th June 1984 and registered with RBI on 12th June 1984. The promoters of TFPL are Mr. Steve Hardgrave and Mr. Brajesh Mishra. Dragon Fruit Education Services LLP is an entity set up as a holding company for acquiring the existing NBFC named Thirumeni Finance Private Limited. The NBFC was taken over by the current management in May 2012 and commenced operations in January 2013. TFPL offers credit facilities to Affordable Private Schools (APS) i.e. private schools which collect fees in the range of Rs. 250 to Rs. 1500 per month as tuition fees, for improvement, capacity expansion and growth. The company uses the *Varthana* brand to establish its identity with the target customer segment. Currently the company operates in Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Orissa, Rajasthan and Chattisgarh, with its head office in

* 100 lakh = 1 crore = 10 million

† For detailed rating definition, visit ICRA's website



Bangalore. As on September 2015, TFPL had a client base of about 1136 schools and had a portfolio of Rs. 87.2 crore.

The company achieved financial break even in FY2015 with a net profit of Rs. 0.34 crore on an asset book of Rs. 70.69 crore vis- a-vis a net loss of Rs. 0.68 crore on an asset book of Rs. 15.55 crore in FY2014. As on September 2015, TFPL registered a net profit of Rs. 0.19 crore. Gross NPAs stood at 1.06% of advances as on September 30, 2015 as compared to 1.12% as on March 31, 2015

Shareholding Pattern as of September, 2015

Promoter Group	22.48%
Elevar Equity LLC	16.51%
Seed Investors	5.70%
CCPS - Domestic Investors	7.35%
Accion Africa Asia Investment Company	4.92%
LGT Venture Philanthropy Foundation	16.53%
ON Mauritius	16.53%
ESOP	10.00%
Total	100.0%

Source: Company

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