

New Opportunity Consultancy Private Ltd.

Instrument	Amount (Rs. crore)	Rating Action (June 2016)
Non Convertible Debentures	8.00	[ICRA]BB-(stable) Assigned

ICRA has assigned a rating of [ICRA]BB- (pronounced ICRA Double B minus) to New Opportunity Consultancy Private Limited (NOCPL or the company)¹. The outlook on the rating is stable.

The rating factors in NOCPL's experienced promoter and management team, good systems and processes which have enabled the company to report good asset quality (negligible 0+dpd in proportion of managed portfolio as on March 31, 2016) and good profitability indicators (41% ROE in FY2016). While the capital requirements for NOCPL are lower since it operates as a Business Correspondent and limited to the First Loss Default Guarantee provided by the company, in ICRA's opinion, the capitalisation indicators for NOCPL are relatively weaker (Net Worth/Managed Portfolio of 3.38%² as on March 31, 2016) as compared to other micro-finance institutions as the company plans to leverage its network to meet the FLDG requirement in the future. Going forward the company plans to grow the consolidated AUM (including portfolio managed by its wholly owned subsidiary, Indian Association for Savings and Credit (IASC)) at around 100% in FY2017 and given that the company plans to merge with the group entity, IASC, the overall capital requirements for both the entities would be around Rs 10-15 crore (in addition to accruals) assuming FLDG requirements of 5% on the managed portfolio. The rating is also constrained by NOCPL's geographically concentrated nature of operations (presence in 2 states with 74% of portfolio in Tamil Nadu as on March 31, 2016), high share of borrowers in 1st cycle (around 75% as on March 31, 2016) and dependence on few banking partners for origination of BC portfolio. ICRA has noted management's efforts to diversify its partner profile as it tied up with IDBI bank and Reliance Capital Ltd. during FY2016 which will result in expansion of its portfolio to newer geographies of Karnataka and Kerala and likely reduction in portfolio concentration during FY2017.

The rating also factors in the risks associated with unsecured lending business, political risks and operational risks arising out of cash handling, along with challenges associated with high pace of growth and high attrition rates. While access to credit bureaus and regulatory ceiling on borrower indebtedness has reduced concerns on overleveraging and multiple lending, however, issues related to multiple identity proofs as well as gaps in information available with the bureaus (lack of data related to the SHG programme, non NBFC-MFIs) remain. Given the rising competition in this segment with various MFIs growing at a rapid pace as well as with new entrants especially through the Business Correspondent model, lenders would need to carefully assess the debt repayment capacity of borrowers so as to limit the risk of overleveraging and the consequent threat to their portfolio credit quality. Nevertheless ICRA takes note of the efforts at an industry level to alleviate these concerns through standardization of KYC documents, digitization of SHG programme so as to assess the actual leveraging status of the borrower. Overall, the ability of the company to scale up its operations profitably while maintaining its capitalisation indicators and asset quality on a larger managed asset base while expanding geographically would be important rating considerations.

NOCPL earns around 9.5%-10.0% of the commission revenue from its partner institutions under the revenue sharing agreement. NOCPL's profitability is good, supported by low operating expenses and credit costs. During FY2016, the company earned a total income of Rs 12.71 crore as compared to Rs 1.65 crore during FY2015. The operating expenses remained low at 4.75% of the total managed advances and with negligible credit cost; the company was able to report PAT as a percentage of managed advances of 1.40% for FY2016. Going forward, the profitability is expected to continue to be good on account of low operating expense and higher leverage ratio.

About the company:

New Opportunity Consultancy Private Ltd. (NOCPL) was promoted by Mr. Ganesh Rao as a private limited company in January 2014, to carry out microfinance activity under a Business Correspondent (BC) model. Subsequently, NOCPL acquired a controlling stake in Indian Association for Savings and Credit (IASC) (a Section 25 company) in 2014 and currently own ~100% of stake in IASC which does similar business in the

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating publications.

² Adjusted Net Worth/Managed Portfolio of 4.74% when adjusted with Loan from Directors



states of Tamil Nadu. At present both the companies are operating independently, however the promoter may consider consolidating the BC portfolio under a single roof going ahead. NOCPL commenced disbursements in August 2014 under a BC arrangement with the RBL bank and has partnered with 3 other financial institutions till date to scale up its managed portfolio to Rs 273.63 crore as on March 31, 2016 from Rs 43.01 crore as on March 31, 2015. As in March 2016, the company has presence in 2 states of Maharashtra and Tamil Nadu with 51 branches and 1,50,572 active borrowers.

In FY2016, NOCPL reported a net profit of Rs 2.45 crore on a total income of Rs. 12.71 as on March 31, 2016 as compared to a net profit of Rs 0.22 crore in FY2015 on a total income of Rs 1.65 crores as on March 31, 2015.

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