

Thirumeni Finance Private Limited

Instrument	Amount	Rating Action
Long-term Bank Facilities	Rs.15.80 crore	[ICRA]BBB-(stable); Upgraded from [ICRA]BB+(stable)
Non-Convertible Debenture Programme	Rs.33.50 crore	[ICRA]BBB-(stable); Upgraded from [ICRA]BB+(stable)
Non-Convertible Debenture Programme	USD 0.20 crore	[ICRA]BBB-(stable); Upgraded from [ICRA]BB+(stable)
Non-Convertible Debenture Programme	USD 0.30 crore	[ICRA]BBB-(stable); Upgraded from [ICRA]BB+(stable)

ICRA has upgraded the ratings assigned earlier to the Rs. 15.80 crore long-term bank facilities and Rs. 33.50 crore and USD 0.50 crore non-convertible debenture programmes of Thirumeni Finance Private Limited (TFPL) from [ICRA]BB+ (pronounced ICRA double B plus) to [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the ratings is stable.

The rating upgrade factors in the improvement in TFPL's capitalisation following a capital infusion of Rs. 93.0 crore in March 2016; the healthy growth of 218% in its portfolio from Rs.54.4 crore as on March 31, 2015 to Rs. 173.0 crore in as on March 31, 2016; its lower geographic concentration in Karnataka and its comfortable asset quality indicators (90+dpd of 1.1% in March 31, 2016). The ratings also take into account the strengthening of the company's management team and credit appraisal and recovery mechanisms, in line with its growth in scale.

The ratings are however constrained by the company's limited track record of operations, the mono-line nature of its business, and consequent lack of diversification in earnings. The ratings also factor in the company's limited financial flexibility, moderate liquidity and low profitability. Going forward, the company's ability to achieve a more diversified funding profile, while reducing its cost of funds to manage operating costs while expanding to new geographies; and to meet the aggressive growth targets while maintaining a good asset quality will be important rating considerations.

TFPL was able to raise adequate debt to fund its growth in FY2016; its total borrowings increased from Rs. 42.4 crore as on March 31, 2015 to Rs. 154.2 crore as on March 31, 2016. However, a large share of the company's borrowings is from NBFCs; ICRA notes that its ability to secure funds from banks and through capital market instruments like NCDs and commercial papers, competitive rates is yet to be seen. ICRA also notes that the company's dependence on short term funds (tenure of three years) is high currently, and would observe progress in increasing the average tenure of its liabilities.

The company's capitalisation is comfortable with a gearing at 1.3 times as on March 31, 2016 (1.6 times as on March 31, 2015). Assuming an internal generation of around 7-9% with a gearing of 5 times, TFPL would require incremental capital of around Rs.450.0-Rs.550 crore over the next four years to achieve its growth targets. The company's ability to raise the capital to fund growth, while maintaining comfortable gearing and also achieve a more diversified funding mix, would be important rating considerations going forward.

The company's NIM reduced from 10.9% in FY2015 to 6.4% in FY2016 with the increase in the share of secured loans (about 74% of portfolio as on March 31, 2016 from 70% as on March 31, 2015) with a lower yield (19-23%) and an increase in cost of funds (11.3% in FY2016 vs 9.8% in FY2015). The company's operating expenses however moderated to 6.2% in FY2016 from 10.6% in FY2015 with more branches achieving break even. Its credit costs remained moderately high at 0.9% in FY2016 with higher provisioning and write-offs; ICRA expects the credit cost to remain at a similar level or increase as the portfolio seasons. The company reported low RoA and RoE of 0.16% and 0.4% respectively for FY2016. Going forward, its ability to grow at a healthy pace while keeping its credit and operating costs at reasonable levels would be crucial from the profitability perspective.



Company Profile

Thirumeni Finance Private Limited is a non-deposit taking non-banking finance company, incorporated in Cochin, Kerala in June 1984. TFPL was taken over by the current promoters – Mr. Steve Hardgrave and Mr. Brajesh Mishra – in May 2012 and commenced financing operations in January 2013.

TFPL offers credit facilities to affordable private schools, for improvement, capacity expansion and growth. The company uses the *Varthana* brand to establish its identity with the target customer segment. Currently, TFPL operates in Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Odisha, Rajasthan, Chattisgarh and Gujarat with its head office in Bangalore. As on March 31, 2016, TFPL had a portfolio of Rs. 173.01 crore.

During FY2016, TFPL registered a net profit of Rs.0.29 crore on a total asset book of Rs. 284.7 crore vis-a-vis net profit of Rs. 0.34 crore on a total asset book of Rs. 70.70 crore during FY2015.

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For further details please contact:

Analyst Contacts:

Mr. Kalpesh Gada (Tel. No. +91 22 6114 3445)
Head- Structured Finance
kalpesh@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500