

Grameen Koota Financial Services Private Limited

	Amount (In Rs. Crore)	Rating Action
Long-Term Bank Facilities	2,013.27	[ICRA]A(Stable); upgraded from [ICRA]A-(positive)
Non-Convertible Debentures	887.00	[ICRA]A(Stable); upgraded from [ICRA]A-(positive)
Subordinated debt	22.00	[ICRA]A(Stable); upgraded from [ICRA]A-(positive)
Commercial Paper	200.00	[ICRA]A1; upgraded from [ICRA]A2+

ICRA has upgraded the ratings on the Rs. 2013.27 crore long-term bank facilities, Rs. 887 crore non-convertible debentures (NCD) programme and Rs. 22 crore subordinated debt programme of Grameen Koota Financial Services Private Limited (GKFSPL/ "the company") from [ICRA]A⁻¹ (pronounced ICRA A minus) to [ICRA]A (pronounced ICRA A). The outlook on the long term ratings has been revised from positive to stable. ICRA has also upgraded the rating of the Rs. 200.00 crore commercial paper programme of the company from [ICRA]A2+ (pronounced ICRA A two plus) to [ICRA]A1 (pronounced ICRA A one).

The ratings upgrade factors in the company's comfortable capitalisation profile with the Rs.100 crore capital infusion from its holding company (CreditAccess Asia N.V.) during Q1FY2017 subsequent to which the networth of the company has improved to Rs. 586 crore (provisional, managed gearing stood at about 4.2 times, as on June 30, 2016) as in June 2016. ICRA expects the holding company to infuse further about Rs 100 crore for the envisaged portfolio growth in the current fiscal, and provide timely equity support in future for the envisioned portfolio expansion. The upgrade also factors in the sustained good profitability of the company (PAT of 3.7% and 3.9% of average assets for FY2016 and Q1FY2017 respectively), which is supported by low operating costs (4.9% and 5.2% of average managed assets in FY2016 and Q1 FY2017 respectively). The ratings also continue to factor in the company's strong senior management team, who have been associated with it for a long period, and the strong asset quality of the company (0+ dpd at 0.10% as on June 2016).

GKFSPL's has presence in 5 states viz, Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Chattisgarh as on March 31, 2016, with Karnataka contributing to around 63% as on March 31, 2016 (around 70% as on March 31, 2015), given the company's focus to remain a regional player. However, ICRA takes note of GKFSPL's significant rural presence—close to 80% of the branches and 70% of the portfolio are in rural areas—where competition from other lenders is relatively lower, which supports its competitive position. Nevertheless, reducing geographical concentration further would be an important monitorable from a rating perspective going ahead. The ratings are constrained by GKFSPL's mono-line nature of business, marginal borrower profile, high operational risk inherent in the microfinance business and the lack of diversification in its earnings profile. The company's ability to recruit, train and retain employees to match with its growing business needs would be crucial, going forward.

ICRA notes that the company's efficient internal control and monitoring processes, with the recently strengthened internal audit, IT and risk management systems, will support it in managing the business risks reasonably. The company had also reduced its lending rates in January 2016 (from 25% to 23% for its key lending product), and has further reduced the lending rates in June 2016 to 22%. The company currently offers products with rates ranging from 18-22% which is also likely to support its competitive position.

The ratings take into consideration GKFSPL's financial flexibility derived from funding lines from about 50 lenders as on June 30, 2016. The company's liquidity position also is comfortable with the residual tenure of liabilities being around 2-3 years, while that of assets being around 1-2 years, resulting in a favourable asset liability matching.

GKFSPL' ability to improve its geographical diversity with increase in the scale of operations, while maintaining a good asset quality and financial profile, would be key enablers for any further improvement in its overall credit profile going forward.

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



About the Company

GKFSPL (Grameen Koota Financial Services Private Limited) was started as Grameen Koota by the T. Muniswammapa Trust in 1999 under the leadership of Mrs. Vinatha M. Reddy in 1999. In 2007, it was transformed from an NGO to an NBFC, and is engaged in micro finance activities providing credit to economically backward women through the joint liability group mechanism. CreditAccess Asia N.V. currently holds 99.4% stake in the company as in August 2016.

As on June 2016, GKFSPL had a portfolio of Rs. 2,879 crore serving borrowers across 89 districts of Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Chhattisgarh.

The company reported a net profit of Rs. 83.8 crore in FY2016 on a managed assets base of Rs. 2,878 crore as against a net profit of Rs. 49.5 crore for FY2015 on a managed assets base of Rs. 1,831 crore. The company had a networth of Rs. 456.5 crore as on March 31, 2016 and a managed gearing of 5.1 times. For Q1 FY2017, the company reported a net profit of Rs. 29.3 crore on a managed assets base of Rs. 3,236 crore.

August 2016

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. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, 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 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.

**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