Chaitanya India Fin Credit Private Limited

	Amount In Rs. Crore	Rating Action
Non Convertible Debenture	21.00	[ICRA]BBB-(stable); assigned

ICRA has assigned a rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the non convertible debenture program of Chaitanya India Fin Credit Private Limited (Chaitanya/the company). ICRA also has outstanding ratings of [ICRA]BBB- on the Rs. 52.00 crore long term bank facilities, Rs. 23.00 crore non convertible debenture program and Rs. 5.00 crore subordinated non convertible debentures of the company. The outlook the long term ratings is stable.

The rating factors in Chaitanya's comfortable capitalisation pursuant to the equity infusion of Rs. 20 crore (additional Rs. 26.5 crore infused is retained by holding company, Chaitanya Rural Intermediation Development Services Private Limited) received by the company in August 2016, subsequent to which the networth of the company has increased to Rs. 48 crore (provisional) as on September 30, 2016 from Rs.26.6 crore (provisional) in June 30, 2016. The rating also factors in Chaitanya's ability to grow its portfolio (Portfolio of Rs 304 crore as on September 30, 2016, a 80% annualised growth from Rs.216.8 crore as on March 31, 2016) while keeping asset quality indicators under control (0+ delinquencies of 0.76% on overall portfolio and 0.05% on JLG book as on September 30, 2016). The rating also draws comfort from the promoter's reasonable track record in the microfinance business and presence of external directors on the Board. The internal audit and IT systems at the company are strong and adequate for the size of the company. The rating is constrained by monoline nature of its business, moderate track record of the company (6 years), moderate scale of operations, geographically concentrated (23 districts, top 5 districts comprising 53%) nature of operations, lack of diversification of earnings and modest profitability.

The ratings also factor in risks associated with the unsecured lending business, marginal borrower profile, political risks, and operational risks arising out of cash handling. Access to credit bureaus and regulatory ceiling on borrower indebtedness has reduced concerns on overleveraging and multiple lending, which acts as a mitigant in this regard. In this context, ICRA also notes the company's initiative to diversify its portfolio by venturing into the state of Maharashtra during Q3FY2016 and reduction in its geographical concentration for its micro loan portfolio gradually by venturing into new states. The company had also forayed into two wheeler and gold loan business in the recent two years where the portfolio share is still small (5.8% and 0.8% for Two Wheeler loan and gold loan respectively as of June 2016) and operate in micro-housing finance segment through external partners from last financial year. ICRA notes that the holding company received NBFC license from the RBI during March 2016 and the secured asset classes (2 wheeler and housing finance) of Chaitanya is expected to migrate to holding company and Chaitanya will continue to operate in Microfinance space alone; the gold loan book is being gradually wound up.

The return on net worth is modest at 9.4% as on September 2016 (5.9% as in March 2016) owing to high operating costs (8.8% on total managed assets as on September 2016) and high funding cost levels; the future profitability of the company would depend on its ability to scale up and reduce operating costs. The credit costs for the company have been low given Chaitanya's ability to manage good loan origination, monitoring and collection mechanisms which has helped the company maintain healthy asset quality.

The gearing of the company is comfortable at 5.3 times. Going forward the company is expected to maintain the gearing level of around 5-5.5 times. Given the company's target growth, the company would need Rs 95-100 crore equity infusions to meet its growth plans in the next four years in ICRA's estimates. Chaitanya has comfortable liquidity owing to well matched maturity of assets and liabilities. Maintaining the capitalisation and liquidity position at comfortable levels and also a more diversified funding mix (currently term loans comprise 72% of its total borrowings) to ensure good financial flexibility as well as reduced cost of funds would be important rating considerations going ahead.

About the Company

Chaitanya India Fin Credit Pvt. Ltd. (Chaitanya) is a Microfinance Institution (MFI) that was set up by Mr. Anand Rao and Mr. Samit Shetty in September 2009 as an NBFC and started operations from October 2009.The company is 100% held by the parent company called Chaitanya Rural Intermediation Development Services Private Limited (Holding Company), in which the equity has been primarily brought in by the promoters and their associates. Chaitanya lends to women primarily in rural areas under the Grameen Bank Group Lending model. Chaitanya offers varied products to suit the borrower's requirements with relatively higher loan amount and has also ventured into Gold Loans and Two wheeler loans, which currently has a relatively lower share in the portfolio. As of September 2016, Chaitanya operates in 23 districts of 2 states (Karnataka and Maharashtra) and serves 1,74,016 borrowers. It had a lending portfolio of Rs. 303.99 crore as on September 2016.

During H1FY2017, Chaitanya reported a net profit of Rs 1.7 crore (Provisional) and total income of Rs.32.0 crore (Provisional, including Securitization income) on a Managed asset base of Rs 349 crore (Provisional).
Chaitanya reported a net profit of Rs 1.5 crore and total income of Rs 37.2 crore (including Securitization income) on a Managed asset base of Rs 241.9 crore in FY2016 vis-à-vis net profit of Rs 0.8 crore and total income of Rs 20.1 crore on an asset base of Rs 149.0 crore in FY2015.

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