



## Thirumeni Finance Private Limited

Instrument	Amount In USD Million	Rating Action
Non Convertible Debenture Programme	2.00	[ICRA]BB(stable); Assigned

ICRA has assigned a rating of [ICRA]BB (pronounced ICRA double B) to the Non Convertible Debenture Programme of Thirumeni Finance Private Limited (TFPL/ "the company"). The outlook on the long term rating is stable. ICRA also has a [ICRA]BB rating with a stable outlook outstanding on Rs. 15.8 crore long term bank facilities of the company.

The rating is constrained on account of TFPL's small scale of operation (portfolio of about Rs.54 crore as on March 2015), limited track record (less than 2.5 years), geographically concentrated nature of business (91% in Karnataka and Maharashtra and 68% is in Bangalore district alone), lack of diversity in funding sources coupled with high cost of funds and modest financial profile on account of high operating expenses due to the cost of scaling up operations in the initial growth phase. The rating however takes into consideration the ability of the company to raise equity from multiple PE investors who have social objectives; within a short time frame (the company has raised Rs. 27.3 crore from foreign institutional investors through Compulsory Convertible Preference Shares in FY2015). ICRA also takes note of the improvement in the sources of debt funding with the on-boarding of three new creditors in FY15. The rating also factors in the professional promoter group and diversified board of directors with experience in banking, microfinance and development sectors; prudent credit policies, strong underwriting and good loan appraisal processes, strong Management Information Systems (MIS) and adequate internal control and monitoring mechanism put in place by the company, which is adequate for the current size of operations. TFPL achieved financial break even in FY15, aided by its expanding portfolio size and improvement in penetration amongst the target market as witnessed by the significant increase in number of borrowers in FY15. However, TFPL's portfolio profile is still evolving; it is operating in a niche market where competition is limited; nevertheless its ability to scale-up and achieve geographical diversification, without adversely impacting asset quality, while improving its earnings profile, still remains to be demonstrated. 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 tuitions fees, for improvement, capacity expansion and growth. The ticket size of these loans varies between 1 and 50 lakh with an average tenure of 36 months for unsecured loans and 55 months for secured loans. Interest rates on unsecured loans are higher when compared to the secured category and the rates can vary between 21%-25% depending on the type of loan.

TFPL has a comfortable capitalization profile (Capital adequacy ratio of 46.20% as on March 2015). ICRA takes note of high expansion plans (a compounded annual growth rate of 55%-60% over the next three years) of the company, for which the company would require increase in funding lines from diverse set of lenders as well as recruitment and training of employees. The company's ability to manage such a high pace of growth will remain a key rating sensitivity, although ICRA takes comfort from the management's demonstrated ability to raise funds and their initiatives to mobilize additional equity which should help the company scale up its operations (including better geographical diversification) while maintaining prudent leveraging. In this regard, the ability of the company to get funds at competitive rates from banking channels is to be seen, as the company has till now been largely supported by NBFCs/FIs in terms of funding requirement, barring one private bank.

### 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 it 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 the operations in January 2013. 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 and Orissa, with its head office in Bangalore. As on March 2015, TFPL had a client base of about 741 schools and had a portfolio of Rs. 54.4 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. Gross NPAs stood at 1.12% of advances as on March 31, 2015 as against 1.41% in FY2014.

#### Shareholding Pattern as of June, 2015

Dragon Fruit Education Services LLP	24.11%
Brajesh Kumar Mishra	0.07%
Elevor Equity LLC	17.82%
Steve Hardgrave	0.07%
Seed Investors	6.14%
Accion Africa Asia Investment Company	5.31%
LGT Venture Philanthropy Foundation	17.84%
ON Mauritius	17.84%
ESOP	10.79%
<b>Total</b>	<b>100.0%</b>

Source: Company

June 2015

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