

Northern Arc Capital Limited (erstwhile IFMR Capital Finance Limited)

April 19, 2018

Summary of Rated Instrument

Trust Name	Originators	Instrument*	Initial Amount (Rs. crore ¹)	Amount O/s after previous surveillance (Rs. crore)	Amount O/s after Apr-18 Payout (Rs. crore)	Rating action
IFMR Capital Mosec Enigma 2016	Fino, Pahal, Samasta, Sambandh, SMILE, Svasti, SVCL	PTC Series A1	106.83	29.99	0.00	[ICRA]A+(SO) Withdrawn

*Instrument details are provided in Annexure I

Rating Action

ICRA has withdrawn the ratings for PTC Series A1 issued under a micro loan securitization transaction originated by Multiple Originators, arranged by Northern Arc Capital Limited (erstwhile IFMR Capital Finance Limited), as tabulated above.

Rationale

All the payouts to the investors in the above mentioned instruments have been made and no further payment is due to the investors.

Key rating drivers

Credit Strengths

- N.A.

Credit Weakness

- N.A.

Description of key rating drivers highlighted above:

N.A.

Key rating assumptions

N.A.

Analytical approach:

N.A.

¹ 100 lakh = 1 crore = 10 million

Links to applicable Criteria

[ICRA's Policy on Withdrawal and Suspension of Credit Rating](#)

About the company:

Fino Finance Private Limited (Fino)

Fino Finance Private Limited is a microfinance institution and a non-deposit accepting NBFC registered with the Reserve Bank of India. Fino was acquired by Fino PayTech Limited (FINO) in 2010. The company provides microfinance loans to women, based on the Grameen Bank Joint Liability Group model. Fino is currently operating through a network of 220 branches spread over 77 districts across the four states of Maharashtra, Madhya Pradesh, Uttar Pradesh and Bihar and had a managed portfolio of Rs. 439.42 crore as on December 31, 2017.

Key financial indicators (audited)

	FY 2016	FY 2017
Total Income	44.52	81.14
Operating Profit	1.47	2.91
PAT (reported)	1.00	0.20
Yield on Average Loans	23.06%	26.83%
Cost of Average Interest-Bearing Funds	13.45%	15.26%
Net Interest Margin (adj. for BO costs) / ATA	8.02%	7.98%
Operating Profit / ATA	1.34%	2.02%
PAT / ATA	0.43%	0.06%
PAT / Average Net worth	2.37%	0.39%
Net worth	52.57	52.77
Gearing	4.74	6.39
CRAR	27.29%	27.15%
Gross NPA	0.81%	0.77%

Amounts in Rs. crore

Source: ICRA research and company

Pahal Financial Services Private Limited (Pahal)

Pahal Financial Services Private Limited (Pahal) started its operations in February 2011 after the present promoters of the company acquired Kelkar Leasing Company Pvt. Ltd., a NBFC which was idle since its formation in 1994. The current promoters then acquired about Rs. 2.6 crore of micro loan portfolio and the existing branch infrastructure of Lok Vikas Nidhi -a trust operating in Gujarat for over 25 years. The present promoters also brought in the initial equity and leveraged on the bought portfolio to venture into microfinance activities in Gujarat, based on the Grameen Bank JLG model. The company was subsequently rechristened as Pahal Financial Services Private Limited. At present, Pahal is operational in 72 branches spread over 46 districts in the state of Gujarat, Madhya Pradesh, Maharashtra and Rajasthan with a portfolio size of Rs. 142 crore as on September 2017. The overall asset quality of Pahal has remained strong since inception with 0+ delinquency being limited to less than 1.2% in the past. In the portfolio of Pahal, only few branches have faced high delinquencies on account of over-leveraging among the borrowers. However, post demonetization, the overall delinquency level rose with 0+ dpd increasing to 9.67% as on Mar-17. However, the delinquencies have come down in the recent few quarters with 0+ dpd as on Dec-17 being moderate at 2.57%.

Pahal reported a net profit of Rs 1.89 crore in FY2017 on a total managed base of Rs 127.84 crore compared with a net profit of Rs. 1.88 crore on a total managed base of Rs 120.51 crore in FY2016. The company reported a net loss of 5.19 crore in H1FY2018 on a total managed asset base of Rs 142.01 crore as on September 30, 2017.

Key financial indicators (audited)

	FY 2016	FY 2017
Net Worth	18.76	28.66
Total Assets(Rs. crore)	143.84	177.14
Total Operating Income (Rs. crore)	25.29	36.96
Profit after tax(Rs. crore)	1.88	1.89
CRAR %	16.34%	24.75%
% Net profit/Average Total Assets	1.54%	1.18%
% Return on net worth	10.02%	6.59%

Amounts in Rs. crore

Source: ICRA research and company

Samasta Microfinance Limited (Samasta)

Samasta Microfinance Limited is a non-deposit accepting NBFC started in 2008 head quartered in Bangalore, Karnataka. The company is involved in Microcredit activities under JLG model. The company has recently started disbursing individual loans but the portfolio for individual loans remains miniscule. The company mainly operates in Karnataka and Tamil Nadu with miniscule proportion of their portfolio active in the states of Maharashtra, Kerala and Goa as well. The company operates through 137 branches as on December 2017.

The company reported a net loss of Rs.1.15 crore on a total income base of Rs. 54.77 crore in 9MFY2018 compared to a net profit of Rs. 0.81 crore on total income base of Rs. 29.88 crore during FY2017.

Key financial indicators (audited)

	FY 2016	FY 2017
Net Interest Income	7.04	8.79
Profit before Tax	1.89	0.62
Profit after Tax	1.47	0.81
Gross Advances (including off book)	132.43	237.93
Total Assets	98.49	225.76
% Tier 1	15.49%	40.17%
% CRAR	17.76%	44.37%
Gearing	5.68	2.29
% Net Profit / Average Managed Assets	1.23%	0.33%
% Return on Net Worth	11.32%	2.07%
% Gross NPA	0.18%	3.78%
% Net NPA	0.00%	0.00%
Net NPA / Net Worth	0.00%	0.00%

Amounts in Rs. crore

Source: ICRA research and company

Sambandh Finserve Private Limited (Sambandh)

Sambandh (erstwhile Modline Build-cap Private Limited) was incorporated in July 1996. The microfinance activities were started by the promoters of SAMBANDH in 2006 as a project under Regional Rural Development Centre (RRDC), one of the reputed NGOs in Odisha. It was converted into an NBFC in 2009. In 2013, it secured an NBFC-MFI licence from the Reserve Bank of India. Its corporate and registered offices are located in Rajgangpur, Odisha. Sambandh offers microfinance loans under both joint liability and self-help group models for income generation. It also offers loans under the Water and Sanitation Program. Sambandh operates through its network of 46 branches, spread over 19 districts of Odisha, Chhattisgarh and Jharkhand as on Dec-17. The company acts as a business correspondent for Reliance Commercial Finance, IDBI Bank and Yes Bank.

Key financial indicators (audited)

	FY 2016	FY 2017
Net interest income	5.53	7.08
Profit before tax	1.73	2.16
Profit after tax	1.10	1.49
Total assets	92.37	139.03
% Tier 1	18.47%	14.69%
% Tier 2	4.19%	1.58%
% CRAR	22.65%	16.26%
Gearing (including off book)	8.73	9.16
% Net profit/Average managed assets	1.19%	0.99%
% Return on net worth	12.72%	11.69%
% Gross NPAs	0.07%	0.34%
% Net NPAs	0.01%	0.03%
Net NPA/Net worth	0.09%	0.18%

Amounts in Rs. crore

Source: ICRA research and company

S.M.I.L.E Microfinance Limited (SMILE)

S.M.I.L.E. Microfinance Limited (SML) was started in 2004 to provide credit services to the urban and rural poor. The company was registered as a non-deposit taking NBFC in January 2006, and received the MFI licence in May 2015. SML provides credit to economically-backward women through the joint liability group mechanism. DWM Investments (Cyprus) Limited infused equity of Rs. 25 crore in FY2010 and Rs. 25 crore in FY2011 and holds a stake of about 66.6% in the company, at present. The promoter group held 18.6% while members owned 13.3%. As on January 31, 2018, SML had a total active member base of 2.7 lakh with a managed portfolio of Rs. 396.4 crore.

During FY2017, SML reported a net profit of Rs. 8.3 crore on a total managed asset base of Rs. 445.5 crore vis-à-vis a net profit of Rs. 2.7 crore on a total managed asset base of Rs. 276.5 crore during FY2016.

Key financial indicators (audited)

	FY 2016	FY 2017
Interest Income (Rs. crore)	34.3	64.1
Profit after tax (Rs. crore)	2.7	8.3
Loan advances	170.1	346.2
Total assets	244.4	406.9
Tier I Capital (%)	47.6%	25.9%
CRAR (%)	48.4%	26.1%
Net Profit/ATA ² (%)	1.3%	2.6%
Return on Net worth (%)	3.2%	9.5%
Gearing (times)	1.7	3.3
GNPA (%)	0.0%	0.0%

Amounts in Rs. crore

Source: ICRA research and company

² ATA-Average total assets

Svasti Microfinance Private Limited (Svasti)

Svasti Microfinance Pvt Ltd (Svasti) is a Mumbai based MFI that aims to provide comprehensive financial services to the low-income segments of society in Mumbai. It was started by P Arunkumar (Lawyer) & B Narayanan (CA) with support from Michael and Susan Dell Foundation, as a Sec 25 Company named Svasti Foundation, in August 2008. In March 2010, it acquired an existing NBFC (Easy Housing and Finance Limited) for its NBFC license by raising Rs.5.45 Crore from MSDF, Kotak Bank and HNIs. The company is headquartered in Mumbai and as on Dec-17, Svasti operates out of 30 branches and has a portfolio of Rs. 174.87 crore. The company has exhibited strong asset quality with 90+ dpd standing below 2% as of Dec-17.

In FY2017, the company reported a PAT of Rs. 0.15 crore on a total income of Rs. 20.71 crore. In Q1 FY2018, the company reported a PAT of Rs. 0.05 crore on a total income of Rs. 6.83 crore.

S V Creditline Private Limited (SVCL)

S V Creditline Limited (SVCL) is an NBFC-MFI incorporated in 2008 and has its registered office in New Delhi. SVCL is promoted by Mr. Vijay Parekh (through Vans Pte Limited) and Mr. Sunil Sachdeva (through SV Corporation Pvt Ltd). The company employs a five-member group-lending methodology under the joint liability group (JLG) model, wherein the group members undertake the responsibility of approving the loans, disbursements and repayments. The company operated in 131 districts, as on December 31, 2017, spread across Uttar Pradesh (UP), Madhya Pradesh (MP), Rajasthan, Chhattisgarh, Haryana, Uttarakhand, Bihar, Punjab and Jharkhand.

SVCL reported profit after tax (PAT) of Rs. 22.14 crore on a managed portfolio of Rs. 817 crore in FY2017 vis-à-vis PAT of Rs. 11.21 crore on a managed portfolio of Rs. 1,017 crore in FY2016. SVCL reported a net worth of Rs. 65 crore as on December 31, 2017.

Key financial indicators (audited)

	FY 2016	FY 2017
Total income	92.71	126.13
Net interest income	25.54	44.71
Profit before tax	16.48	34.30
Profit after tax	11.21	22.14
Total managed portfolio	1,016.51	817.11
Total managed assets	1,223.89	1,083.00
	67.21	86.73
% Tier 1	11.43%	-
% CRAR	17.17%	23.04%
Gearing	8.4	6.6
% Net profit / average managed assets	1.1%	1.9%
% Return on net worth	17.19%	28.76%
% Gross NPA	0.34%	0.85%*
% Net NPA	0.12%	0.30%*
Net NPA / net worth	1.16%	1.46%*

*Including RBI dispensation
Amount in Rs.crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Table:

S.No	Name of Instrument	Type	Current Rating		Month-year & Rating	Chronology of Rating History for the past 3 years		
			Rated amount (Rs. Crores)	Amount outstanding (Rs. Crores)		Month- year & Rating		
						April 2018	June 2017	November 2016
1	IFMR Capital Mosec Enigma 2016	PTC Series A1	29.99	Nil	[ICRA]A+(SO) Withdrawn	[ICRA]A+(SO)	[ICRA]A-SO)	Provisional [ICRA]A-SO)

** Initial Rating assigned*

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I Details of Instruments

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate (p.a.)	Scheduled Maturity Date	Rated Amount (Rs. crore ³)	Current Rating
1	IFMR Capital Mosec Enigma 2016	PTC A1	June 2016	10.00%	April 2018	29.99	[ICRA]A+(SO) Withdrawn

³ 100 lakh = 1 crore = 10 million

ANALYST CONTACTS

Vibhor Mittal

+91 22 6114 3440

vibhorm@icraindia.com

Abhijeet Ajinkya

+91 22 6114 3434

abhijeet.ajinkya@icraindia.com

Rahul Panigrahi

+91 22 6114 3436

rahul.panigrahi@icraindia.com

Arjun Bhatia

+91 22 6114 3449

arjun.bhatia@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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