

Northern Arc Capital Limited

July 18, 2018

Summary of Rated Instruments

Sl.	Borrower Name	Initial Loan Amount(Rs. crore)	Rated Loan Amount(Rs. Crore)	Rating action
1	Aris Capital Private Limited (Aris)	5.00	5.00	Provisional rating of [ICRA]A-(SO) confirmed as final
2	Essel Finance Business Loans Ltd (Essel)	15.00	15.00	Provisional rating of [ICRA]A-(SO) confirmed as final
3	Fino Finance Private Limited (Fino)	10.00	10.00	Provisional rating of [ICRA]A-(SO) confirmed as final
4	Kanakadurga Finance Limited (Kanakdurga)	10.00	10.00	Provisional rating of [ICRA]A-(SO) confirmed as final
5	Lendingkart Finance Limited (Lendingkart)	20.00	20.00	Provisional rating of [ICRA]A-(SO) confirmed as final
6	Light Microfinance Private Limited (Light)	7.00	7.00	Provisional rating of [ICRA]A-(SO) confirmed as final
7	Pahal Financial Services Private Limited (Pahal)	7.00	7.00	Provisional rating of [ICRA]A-(SO) confirmed as final
8	Pudhuuaru Financial Services Private Limited (PF SPL)	15.00	15.00	Provisional rating of [ICRA]A-(SO) confirmed as final
9	Saija Finance Private Limited (Saija)	15.00	15.00	Provisional rating of [ICRA]A-(SO) confirmed as final
10	Sambandh Finserve Private Limited (Sambandh)	6.00	6.00	Provisional rating of [ICRA]A-(SO) confirmed as final
11	Satya Microcapital Limited (Satya)	15.00	15.00	Provisional rating of [ICRA]A-(SO) confirmed as final
12	Shri Ram Finance Corporation Private Limited (SRFCPL)	10.00	10.00	Provisional rating of [ICRA]A-(SO) confirmed as final
13	Sonata Finance Private Limited (Sonata)	25.00	25.00	Provisional rating of [ICRA]A-(SO) confirmed as final
14	Svasti Microfinance Pvt. Ltd. (Svasti)	5.00	5.00	Provisional rating of [ICRA]A-(SO) confirmed as final
15	Village Financial Services Limited (Village)	10.00	10.00	Provisional rating of [ICRA]A-(SO) confirmed as final
16	Zen Lefin Private Limited (Capital Float)	25.00	25.00	Provisional rating of [ICRA]A-(SO) confirmed as final
	TOTAL	200.00	200.00	

*Instrument details are provided in Annexure I

Rating Action

ICRA has confirmed the provisional ratings assigned to each of the loan facilities (aggregating to Rs. 200.00 crore) given under Pooled Loan Issuance (PLI) programme of sixteen borrowers mentioned in the table above, as final.

Rationale

In March 2018, ICRA had assigned Provisional [ICRA]A-(SO) ratings to each of the loan facilities (aggregating to Rs. 200.00 crore) given under Pooled Loan Issuance (PLI) programme of sixteen borrowers mentioned in the table above. Since the executed transaction documents are in line with the rating conditions for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- Common guarantee to the extent of 15.00% of the total PLI amount; guarantee coverage expected to increase with principal amortisation on underlying loans
- The PLI structure provides geographical diversification with the 16 borrower entities having operations across multiple states
- The PLI structure provides industry diversification with the 16 borrower entities from varied industries
- Most entities are profitable and have moderate track record in the lending industry.
- High collection efficiency and good asset quality demonstrated in the lending portfolio in the past by most of the Borrowers in the current PLI programme

Credit Weaknesses

- Weak to moderate stand-alone credit quality of the borrowers in long-term
- An adverse sector-wide development could impact the stand-alone credit quality of multiple Borrowers in the programme; also, the asset quality and consequently the credit quality of the Borrowers could be correlated and is vulnerable to various political, communal and environmental issues —these could in turn result in downgrade of the PLI programme; however, given the moderate tenure of the loans, likelihood of such a development should be low

Description of key rating drivers highlighted above:

The ratings for the loans factor in the benefit of the common Corporate Guarantee to the extent of 15.00% of the initial value of the loans, which enhances the credit quality of the loans under the PLI programme over the respective borrower's stand-alone credit quality. The stand-alone credit quality of the borrowers is weak to moderate with modest liquidity profile and low to moderate length of operating track record. Most of the borrowers have demonstrated their ability to raise debt from banks and other institutional lenders. However, the number of lenders for some of the borrowers has been limited. The capitalization profile can be characterized as modest to good for the borrowers.

While the scheduled interest and principal repayments for each of the loans is on a monthly basis, the common guarantee is non-amortizing in nature, as a result of which the guarantee cover builds up¹ with time in percentage terms. The ratings also draw comfort from the fact that the loans are supported by security in the form of charge over receivables with security cover of 1.1 times.

However, the ratings are constrained by the weak to moderate stand-alone credit quality of the borrowers in the long-term. While the borrowers' areas of operations are well spread geographically, the ratings are also constrained by the vulnerability of the borrowers to any adverse sector-wide development and to any political or environmental issues that could adversely affect their portfolios.

¹ The guarantee build-up is subjected to a pre-decided cap of 35%, after which the guarantee amount could be reduced with prior approval of ICRA if the reduced cover maintains the initial debenture rating.

Key rating assumptions

In the present PLI programme, the servicing of each loan is firstly the obligation of the individual borrower. However, even in the event of stress on borrower's financial position to meet the scheduled payments on the loans, the Lender's Agent can utilize the common Corporate Guarantee to meet the shortfall. Thus, for rating the said PLI programme, the approach has been to factor in the likelihood of an individual Borrower defaulting on its debt obligations (which is a function of its stand-alone credit rating) and the Corporate Guarantee. Shortfall in meeting scheduled lender payout is to be met through the common guarantee till it is available. The resulting probability of default on the lender—which would be lower than that of the stand-alone default probability of the individual borrowers owing to the benefit of the credit enhancement—is then compared with ICRA's internal benchmarks for the PLI rating.

The ratings are sensitive to certain features of the transaction structure such as potential acceleration of the loan repayments under certain events (defined below "event of default") which could trigger downgrade of the loans. Moreover, the credit enhanced ratings have been assigned taking into account the relative share of each borrower in the PLI programme.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Links to applicable Criteria

[Rating Methodology for Securitisation Transactions](#)

[ICRA Rating Methodology for Partially Guaranteed Debt](#)

About the Originator:

Aris Capital Private Limited (Aris)

Aris Capital Private Limited is a Non-Banking Finance Company engaged primarily in the financing of old commercial vehicles. The company finances light, medium and heavy vehicles coupled with used and new tractors. The company operates in West Bengal, Sikkim and Jharkhand with a branch network of 21 branches as on September 2017. Aris was incorporated in February 1995. The company leverages its vast experience of over four decades of transport industry visits group company named Associated Transport Organization Ltd.

In FY2017, Aris reported muted net profit growth of 7.1% to Rs. 2.12 crore. The company's operating expenses increased by ~90% during FY2017 mainly due to addition in employee base. The portfolio managers as of FY2017 were 31 as compared to 8 in FY2016. There was recruitment in senior management as well. The total employee base increased to 44 as on FY2017 from 24 as on FY2016.

Essel Finance Business Loans Ltd (Essel)

Essel Finance Business Loans Ltd (Essel) was incorporated by the state of Maharashtra in 1996 as a private limited company named Blue Blend Equity Ltd. The Essel group acquired 52% stake in the company in fiscal 2014 and the remaining in fiscal 2015. It got its present name in April 2015. Essel is currently 77.3% held by Dakshin Mercantile Pvt Ltd and the remaining is held by Essel Finance Management LLP. The company is the lending arm of the Essel group and started operations in fiscal 2015. It primarily provides financial services to MSMEs. The company reported a PAT of Rs. 1.33 crore during FY2017 compared with Rs. 0.98 crore during FY2016. NIMs as a percentage of managed assets were supported by higher income from loans but offset by higher operating costs including higher interest expense and resulted in muted profitability. The company had a loan portfolio of Rs. 284 crore with 30+ dpd standing at 14.2% and 90+ dpd at 11.2% as on Dec-17.

Fino Finance Private Limited (Fino)

Fino Finance Private Limited (FFPL) is a microfinance institution and a non-deposit accepting NBFC registered with the Reserve Bank of India. FFPL 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. FFPL 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.

FFPL reported a profit after tax (PAT) of Rs. (42.01) crore in FY2018 on a total asset base of Rs. 573.21 crore compared with a PAT of Rs. 0.20 crore in FY2017 on a total asset base of Rs. 407.94 crore.

ICRA has ratings outstanding of [ICRA]BBB-(Stable) for the long term bank lines of the company.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2017	FY2018
Total Income	81.17	119.16
Operating Profit	2.94	14.81
PAT (reported)	0.20	(42.01)
Yield on Average Loans	26.84%	23.93%
Cost of Average Interest-Bearing Funds	15.26%	11.69%
Net Interest Margin (adj. for BO costs)/ ATA	8.67%	9.68%
Operating Profit / ATA	2.02%	3.83%
PAT / ATA	0.06%	(8.56%)
PAT / Average Net worth	0.39%	(60.64)%
Net worth	52.77	85.76
Gearing	6.39	5.35
CRAR	27.15%	20.30%
Gross NPA	0.77%	13.29
Net NPA	-	3.40

Kanakadurga Finance Limited (Kanakadurga)

Kanakadurga Finance Limited (KFL) erstwhile Kanakadurga Finance & Leasing Limited (KLFL) was incorporated as a private company in 1994 to take over the auto financing business of the proprietary concern - Sandireddy Ratna Kumari Automobile Finance Co. The company was converted into a public company in 1996 and was registered as a deposit accepting NBFC with the RBI. Mr. S. Lakshmi Narayana, the promoter has been in the auto finance business for the past 29 years. KLFL subsequently surrendered the licence to accept public deposits in 2008 as the promoters did not have any plans to utilize the facility.

Kanakadurga Finance & Leasing Limited (KLFL) is engaged in the business of hypothecation finance and leasing, mainly for new three wheelers. KLFL slowed down its leasing business over the past few years and shut its leasing operations in FY 2011 owing to the strong growth and healthy margins in Hypothecation finance business. In fiscal 2012, KLFL has started financing used cars and Tata Ace, although these are currently very small in relation to total volumes. While KLFL offers finance to both passenger vehicles and goods vehicles in new and used segments, nearly 59% of the company's portfolio comprised of finance to passenger three wheelers. KLFL has started financing for Gold Loans from June 2012 and it occupies about 6% of its total portfolio as of Dec-17.

Lendingkart Finance Limited (Lendingkart)

Lendingkart Finance Limited (formerly Aadri Infin Limited) is a Lendingkart Group company, which is registered as an NBFC and provides unsecured SME loans. Lendingkart Technologies Private Limited is the technology arm of the Lendingkart Group and the Group is headquartered in Ahmedabad. The Group was started in 2014 by co-founders Mr. Harshvardhan Lunia and Mr. Mukul Sachan and raised funds from Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darren Capital Management. Lendingkart Group is a part of the evolving Fintech industry and it leverages technology to underwrite credits to SME segment which is difficult for

traditional banks and NBFCs to access. The loan is given to SMEs for meeting their working-capital needs. The underwriting is done based on the scoring by a proprietary algorithm.

During FY2017, LFL reported a net loss of Rs. 14.13 crore on a total income base of Rs. 33.52 crore compared to a net loss of Rs. 3.70 crore on a total income base of Rs. 6.15 crore during FY2016. During Q1 FY2018, the company reported a net loss of Rs. 4.50 crore on a total income base of Rs. 15.22 crore.

ICRA has ratings outstanding of [ICRA]BBB-(Stable)/[ICRA]A3 for the Non-Convertible Debenture Programme and bank lines of the company.

Key Financial Indicators

Parameters (Amount in Rs. Crore)	FY2016	FY2017	Q1FY2017	Q1FY2018
Net interest income	2.19	21.42	2.07	9.88
Total income	6.15	33.52	4.45	15.22
Profit after tax	(3.70)	(14.13)	(1.85)	(4.50)
Total portfolio	49.26	159.63	72.90	228.78
Net worth	18.30	104.18	16.46	99.68
Total assets	65.15	191.47	94.77	289.57
% Tier 1	34.74%	61.40%	21.02%	41.51%
% CRAR	34.74%	61.40%	21.02%	41.51%
Gearing	2.45	0.74	4.58	1.82
% Net profit/Average total assets	-11.32%	-11.01%	-15.52%	-7.48%
% Return on net worth	-39.81%	-23.07%	-88.05%	-17.65%
% Gross NPAs	0.43% ²	3.77%	2.40%	1.55%
% Net NPAs	0.39% ²	1.92%	2.39%	0.78%
Net NPA/Net worth	1.04% ²	2.94%	2.97%	1.80%

Source: LFL & ICRA research

Light Microfinance Private Limited (Light)

Light Microfinance Private limited (Light) is a Non-Banking Finance company – Microfinance Institution (NBFC-MFI). LMPL was incorporated in August 2009 and NBFC license was granted by RBI in September 2009 & got registered with RBI as NBFC-MFI in May 2014. Light is focused towards its micro-credit business and follows the Joint Liability Group (JLG) model for risk mitigation. The business of LMPL is targeted towards under-privileged women in the groups of 5. Each center has typically 3-5 groups.

As on Dec-17, the company had a loan portfolio of Rs.72.53 crore spread across 38 branches. The asset quality of the company has been modest with 90+ dpd of 6.7% as on Dec-17.

Pahal Financial Services Private Limited (Pahal)

Pahal Financial Services Private Limited is an Ahmedabad-based NBFC-MFI registered with Reserve Bank of India. The company started its operations in March 2011 by acquiring the existing operations of Lok Vikas Nidhi, a trust operational in Gujarat for over 25 years. The current promoters of Pahal – Mr. Kartik Mehta and Ms. Purvi Bhavsar- acquired the portfolio of Rs. 2.6 crore spread over 15 branches, along with the field staff from Lok Vikas Nidhi and subsequently transferred the acquired portfolio to an NBFC, along with an equity contribution of Rs. 2 crore. The NBFC was renamed

² NPAs were classified at 180+ dpd as on March 31, 2016

as Pahal Financial Services Private Limited. Pahal follows the Grameen model of lending to poor women primarily in rural and semi-urban areas of Gujarat, Maharashtra and MP.

Pahal reported a loss of Rs 6.57 crore in FY2018 on a total managed base of Rs 223.02 crore compared with a net profit of Rs. 1.88 crore on a total managed base of Rs 128.48 crore in FY2017. Pahal reported a CRAR of 24.05% (tier-1 12.95%) as on March 31, 2018.

ICRA has ratings outstanding of [ICRA]BB+(Stable) for the Non-Convertible Debenture Programme of the company.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2017	FY2018
Total income (Rs. crore)	36.98	40.09
PAT (Rs. crore)	1.88	(6.57)
Net worth (Rs. crore)	28.66	39.77
Total managed portfolio (Rs. crore)	128.48	223.02
Return on managed assets (%)	1.11%	(2.93)%
Return on equity (%)	8.45%	(19.19)%
NIM/AMA	6.60%	8.54%
Operating expenses/AMA	6.66%	6.40%
Net worth/managed assets (%)	22.31%	15.14%
Gearing (managed book); times	5.10	4.90
CRAR	NA	24.05%

Pudhuaaru Financial Services Private Limited (PFSP)

Pudhuaaru Financial Services Private Limited (PFSP) is a non-deposit taking Non-Banking Finance Company (ND- NBFC) and part of IFMR Group's Rural Channels vertical which is engaged in providing financial services to remote rural areas under the Kshetriya Grameen Financial Services (KGFS) model. The IFMR Trust, since June 2008, carried out the KGFS business in Tamil Nadu through Pudhuaaru Kshetriya Gramin Financial Services (P-KGFS). Post that, IFMR Trust acquired an NBFC by infusing equity capital of Rs. 4.75 crore into it. The NBFC was renamed Pudhuaaru Financial Services Private limited (PFSP), which came into existence in March 2010 after purchasing the portfolio of P-KGFS. Subsequently, IFMR Group reorganized the business and ownership structure of its Kshetriya Gramin Financial Services (KGFS) businesses and ownership of PFSP was transferred to IFMR Rural Channels & Services Limited (IRC), which is now the holding company of PFSP. In Nov-11, the net portfolio of 2 other KGFS entities in Orissa and Uttarakhand (Dhanei KGFS and Sahastradhara KGFS) were merged into PFSP. Going forward, all incremental originations of these KGFS units would be booked in PFSP. Also, unlike MFIs, which intend to grow rapidly and spread their presence across geographies, PFSP intends to remain focused on limited geographies, while looking for deeper penetration.

At present, PFSP operates in 19 districts of Tamil Nadu, Orissa and Uttarakhand. As of December 2017, PFSP has a portfolio of Rs. 464.6 crore. As of Dec-17, the 0+ and 30+ delinquencies are at 1.6% and 0.9% respectively.

The company has a rating of [ICRA] BBB-(Stable) outstanding from ICRA for its long term debt instruments.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2016	FY2017	Q1FY2018
Total Assets	289.7	460.9	452.4
Managed Assets (incl. off balance sheet receivables)	516.9	589.9	560.5
Total Income	71.1	85.0	25.9
Net Interest Income (Net of BO Costs & Profits from Securitisation)	17.8	27.8	8.8
Profit Before Tax (PBT)	(10.4)	2.8	1.1
Profit After Tax (PAT)	(11.2)	1.6	0.3
Yield on Average Earning Assets (%)	18.2%	19.2%	20.5%
Cost of Average Interest-bearing Funds (%)	13.5%	13.4%	14.4%
Gross Interest Spread (%)	4.6%	5.8%	6.1%
Net Interest Margin (%)	6.5%	7.4%	7.7%
Operating Expenses /Average Managed Assets	7.2%	7.4%	7.3%
Provisions & Write offs / Average Managed Assets (%)	3.7%	0.5%	1.1%
Cost to Income Ratio (%)	83.1%	89.1%	83.3%
PBT (excluding extraordinary items) / Average Total Assets	-3.8%	0.7%	1.0%
PAT / Average Managed Assets (%)	-4.1%	0.4%	0.3%
Return on Average Net worth (%)	-21.3%	2.2%	1.6%
Total Debt / Net worth	3.6	4.4	4.3

Saija Finance Private Limited (Saija)

The promoters of Saija Finance Private Limited (SFPL), Mr. S.R. Sinha and Mrs. Rashmi Sinha, started microfinance operations in November 2007 as a programme under Saija Vikas, a society formed by them in July 2007. The current management acquired the NBFC, Saija Finance Private Limited in April 2008; the NBFC was granted the NBFC-MFI licence in December 2013 by the RBI.

The company follows the Grameen model of lending and offers loans under: Saija Mahila Rin (group loans to women) and Saija Karobar Rin (loans for business) which respectively formed 91% and 5% of the portfolio as on September 30, 2017. Individual loans for solar lamps, fans and stoves accounted for remaining 4% of the portfolio.

During FY2017, Saija reported a net profit of Rs. 2.2 crore on a managed asset base of Rs. 251.4 crore vis-à-vis net profit of Rs. 2.3 crore on a managed asset base of Rs. 217.2 crore during FY2016. As on March 31, 2017, the operations were spread across 38 districts in 3 states of Bihar, Jharkhand and Uttar Pradesh. During H1FY2018, the company reported a loss of Rs. 7.6 crore on a managed asset base of Rs. 253.27 crore. The company reported a CRAR of 10.85% as on September 30, 2017 (16.10% as on March 31, 2017) against the regulatory requirement of 15%.

ICRA has ratings outstanding of [ICRA]BBB-(Stable) for the Non Convertible Debenture Programme and Term loans of the company.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2016	FY2017	H1FY2018*
Total Income (Rs. crore)	36.64	55.34	28.49
PAT (Rs. crore)	2.32	2.14	(7.62)
Net worth (Rs. crore)	28.17	29.72	24.77
Total managed portfolio (Rs. crore)	217.15	251.40	253.27
Total managed assets (Rs. crore)	319.78	311.79	321.22
Return on managed assets (%)	0.8%	0.7%	(2.4)%
Return on equity (%)	7.23%	7.41%	(55.95)%
Gearing (times)	8.13	7.75	8.65
Gross NPA (%)	0.38%	4.00%	6.00%
Net worth/Managed assets (%)	8.81%	9.29%	9.78%
CRAR (%)	21.40%	16.10%	10.85%

*Based on limited review

Sambandh Finserve Private Limited (Sambandh)

SFPL (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. SFPL 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. SFPL operates through its network of 44 branches, spread over 21 districts of Odisha, Chhattisgarh and Jharkhand. The company acts as a business correspondent for Reliance Commercial Finance, IDBI Bank and Yes Bank.

SFPL reported net profit of Rs. 1.49 crore in FY2017 on a total asset base Rs. 139.03 crore as on March 31, 2017 compared to Rs. 1.10 crore in FY2016 on a total asset base Rs. 92.37 crore as on March 31, 2016. In H1 FY2018, SFPL reported net profit of Rs. 1.05 crore on a total asset base Rs. 167.43 crore as on September 30, 2017. SFPL's revenues are supported by business correspondent income, which accounted for around 8% of its total income in H1 FY2018.

ICRA has ratings outstanding of [ICRA]BB-(Stable) for the Term loans of the company.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2016	FY2017	H1FY2018*
Net interest income	5.53	7.08	4.86
Profit before tax	1.73	2.16	1.49
Profit after tax	1.10	1.49	1.05
Total assets	92.37	139.03	167.43
% Tier 1	18.47%	14.69%	13.07%
% Tier 2	4.19%	1.58%	4.99%
% CRAR	22.65%	16.26%	18.06%
Gearing (including off book)	8.73	9.16	9.83
% Net profit/Average managed assets	1.19%	0.99%	1.07%
% Return on net worth	12.72%	11.69%	13.53%
% Gross NPAs	0.07%	0.34%	0.38%
% Net NPAs	0.01%	0.03%	0.05%
Net NPA/Net worth	0.09%	0.18%	0.34%

*Provisional results

Satya Microcapital Limited (Satya)

Satya Microcapital Limited (formerly known as TFC Finvest Limited) is a Delhi based NBFC which was incorporated as a Limited Company in the year 1995. Satya started its microfinance operations by adopting the JLG model with a fortnightly collection cycle in November 2016. The Company had started its microfinance operations from Sikandrabad Branch, Bulandshar District of Uttar Pradesh and the first token disbursement was done on 1st November, 2016.

As on Dec-17, the company has operations spread across 7 states and 39 branches with a portfolio size of Rs. 126.47 crore. The company has reported net loss of Rs. 3.67 crore in Q3FY2017 on a total managed assets base of Rs. 211.62 crore.

ICRA has ratings outstanding of [ICRA]BB+(Stable) for the Non Convertible Debenture Programme and Term loans of the company.

Key Financial Indicators

Parameters (Amount in Rs. Crore)	FY2017	Q3FY2018
Net worth (Rs. Crore)	8.16	25.23
Profit after tax (Loss) Rs. Crore)	(1.46)	(3.67)
Total assets (Rs. Crore)	50.12	211.62
% CRAR	38.82%	24.99%

Shri Ram Finance Corporation Private Ltd (Shri Ram)

Shri Ram Finance Corporation Private Ltd (Shri Ram) was incorporated in April 2004 by Mr. Ganesh Bhattar. Shri Ram had received non-banking finance company (NBFC) license from RBI in July 2008. The company is engaged in the business of financing two wheelers, three/four wheelers, SME lending and microfinance loans. As on Dec-17, the company had a loan portfolio of Rs.165.31 crore spread across the states of Chhattisgarh (62.3%), Madhya Pradesh (31.3%) and Orissa (6.5%). The asset quality of the company has been moderate with 30+ dpd of 3.86% and 90+ dpd of 1.29% as on Dec-17.

Sonata Finance Private Limited (Sonata)

Sonata Finance Private Limited (Sonata) is a NBFC-MFI that was incorporated in 1995 and registered as a Non Deposit taking NBFC in 2001. The microfinance operations of the company were started in 2006 by Mr. Anup Kumar Singh who is the Managing Director of the company at present. Since its inception, Sonata has raised funds from social investors (institutional and individuals) including Caspian Advisors Private Limited and Michael & Susan Dell Foundation (MSDF). Caspian Advisors has invested in India through two SPVs – Bellwether Microfinance Fund and India Financial Inclusion Fund. The company has its headquarters in Lucknow (earlier in Allahabad). ICRA has a rating outstanding of [ICRA]BBB(Negative) and a grading of M2+ on Sonata Finance Pvt Ltd.

Sonata primarily caters to the rural population, though it has some borrowers in semi-urban and urban areas. Sonata offers credit to economically backward women engaged in income generation activities like processing and manufacturing, service and animal husbandry. Its key product is the income generating group loan for which it replicates Grameen Bank model of lending.

As on Mar-18, Sonata operated through a network of 425 branches across 124 districts of 8 states. The company's portfolio is concentrated to a large extent in UP, (~48% of portfolio). Post Sep-15, the company had entered the states of Punjab & Maharashtra, the share of portfolio of these states is very small as on date.

Sonata reported a profit after tax (PAT) of Rs (33.4) crore during FY2018 (audited) on a total managed asset base of Rs 1,545.3 crore as on March 31, 2018 as against a PAT of Rs 1.3 crore during FY2017 (Audited) on a total managed asset base of Rs 1554.5 crore as on March 31, 2017. Sonata reported a CRAR of 17.25% as on March 31, 2018.

The company has a rating of [ICRA] BBB(Negative) outstanding from ICRA for its long term debt instruments.

Key Financial Indicators (Audited)

Parameters (Amount in Rs. Crore)	FY2017	FY2018
Total Income (Rs. crore)	218.4	223.4
PAT (Rs. crore)	1.3	(33.4)
Net worth (Rs. crore)	212.9	179.2
Total managed portfolio (Rs. crore)	1,056	1,376
Total managed assets (Rs. crore)	1,554.5	1,545.3
Return on managed assets (%)	0.1%	(2.1%)
Return on equity (%)	0.7%	(17.0%)
Gearing (times)	5.14	6.43
Gross NPA (%)	8.1%	8.40%
Net worth/Managed assets (%)	20.2%	11.60%
CRAR (%)	29.2%	17.25%

Svasti Microfinance Pvt Ltd (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 Mar-18, Svasti operates out of 30 branches across three states and has a portfolio of Rs. 226.67 crore.

The delinquency levels for the JLG Loans, which is the key product of Svasti, had remained negligible in the past, especially prior to demonetisation. However, the delinquencies rose sharply in the portfolio in the aftermath of the demonetisation with 0+ dpd rising to 4.24% in Mar-17. The asset quality has improvement in the last 12 months with 0+ dpd standing low at 1.32% in Mar-18. There were no write-offs in Svasti's portfolio in FY 2018.

In FY2017, the company reported a PAT of Rs. 0.15 crore on a total income of Rs. 20.71 crore. In FY2018, the company reported a PAT of Rs. 0.96 crore on a total income of Rs. 37.61 crore.

Key Financial Indicators

Particulars	FY2017	FY2018 [§]
Net worth (Rs. Crore)	19.23	31.88
Total income	20.71	37.61
Profit after tax (Rs. crore)	0.15	0.96
PAT/Average Total Assets	0.16%	0.54%
PAT/Average Net worth	0.81%	3.75%
Gearing (times)	5.11	6.20

[§]Provisional

Village Financial Services Limited (Village)

Village Financial Services Private Ltd (VFSPL): erstwhile known as ‘Spencer Vinimay Private Ltd’ (SVPL), incorporated in 1994, is a (Non-Deposit taking) Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI) registered with Reserve Bank of India (RBI). The current promoters of VFSPL, Mr. Ajit Kumar Maity (Chairman) and his son Mr. Kuldip Maity (Managing Director) have over two decades of experience in micro lending activities. VFSPL is engaged in the business of lending to individual women borrowers under ‘Joint Liability Group (JLG) model. As on June 30, 2017, VFSPL is managing a loan portfolio of Rs.397.50 crore {including a Business Correspondence (BC) model of Rs.34.57 crore} through a network of 159 branches in 43 districts spanning across 8 states. West Bengal accounted for 81.11% of loan portfolio as on June 30, 2017, followed by Bihar (at 9.11%).

Zen Lefin Private Limited (Capital Float)

Capital Float (Trade name for Zen Lefin Pvt. Ltd.) is an NBFC which started its operations in 2013 and has scaled up its business during FY2016 and FY2017 as the portfolio grew from Rs 8.81 crores as on March 2015 to Rs 133 crores as on March 2016 and to Rs. 944.39 crores as on December 2017. Capital Float adopts a hybrid model to lend to SMEs through online platform as well as provide a marketplace for the other Financial Institutions and HNIs to lend money to SMEs. The current on-book portfolio comprises 80% of the portfolio while the rest 20% is off-balance sheet portfolio. The major states of operation are Karnataka, Tamil Nadu, New Delhi, Gujarat, Telangana and Maharashtra. The company disburses three types of loans viz. E-commerce loans, Uber loans and SME loans. As on December 2017, the 30+ delinquency level for the overall portfolio of Capital Float was 5.98%.

The company has a rating of [ICRA] BBB(stable) outstanding from ICRA for its long term debt instruments and [ICRA] A3+ for its short term debt instruments.

Key Financial Indicators (Audited)

	FY2017	H1FY2018
Total Income (Rs. Crore)	53.8	55.3
Profit after Tax (Rs. Crore)	-63.5	-47.3
Net worth (Rs. Crore)	183.2	430.9
Total Managed Portfolio (Rs. Crore)	545.0	895.6
Total Managed Assets (Rs. Crore)	664.2	1,198.3
Return on Managed Assets (%)	-15.9%	-11.1%
Return on Net worth (%)	-49.6%	-30.8%
Gearing (times)	1.6	1.0
Gross NPA (%)	1.4%	2.1%
Net NPA (%)	0.2%	0.2%
Capital Adequacy Ratio (%)	37.5%	47.1%

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

S. No	Name of Instrument	Current Rating		Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating July 2018	Month-year & Rating March 2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	Northern Arc P.L.I. VII March 2018	Aris Capital Private Limited (Aris)	5.00	5.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Essel Finance Business Loans Ltd (Essel)	15.00	15.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Fino Finance Private Limited (Fino)	10.00	10.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Kanakadurga Finance Limited (Kanakadurga)	10.00	10.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Lendingkart Finance Limited (Lendingkart)	20.00	20.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Light Microfinance Private Limited (Light)	7.00	7.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Pahal Financial Services Private Limited (Pahal)	7.00	7.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Pudhuaaru Financial Services Private Limited (PFSPL)	15.00	15.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Saija Finance Private Limited (Saija)	15.00	15.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Sambandh Finserve Private Limited (Sambandh)	6.00	6.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Satya Microcapital Limited (Satya)	15.00	15.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Shri Ram Finance Corporation Private Limited (SRFCPL)	10.00	10.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Sonata Finance Private Limited (Sonata)	25.00	25.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Svasti Microfinance Pvt. Ltd. (Svasti)	5.00	5.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Village Financial Services Limited (Village)	10.00	10.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
Zen Lefin Private Limited (Capital Float)	25.00	25.00	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-		

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-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Interest Rate [^]	Scheduled Maturity Date	Rated Amount (Rs. crore)	Current Rating
1	Northern Arc P.L.I. VII March 2018	Aris Capital Private Limited (Aris)	March 2018	Blended yield of 11.75%	March 2021	5.00	[ICRA]A- (SO)
		Essel Finance Business Loans Ltd (Essel)			March 2021	15.00	[ICRA]A- (SO)
		Fino Finance Private Limited (Fino)			March 2021	10.00	[ICRA]A- (SO)
		Kanakadurga Finance Limited (Kanakadurga)			March 2021	10.00	[ICRA]A- (SO)
		Lendingkart Finance Limited (Lendingkart)			March 2021	20.00	[ICRA]A- (SO)
		Light Microfinance Private Limited (Light)			March 2020	7.00	[ICRA]A- (SO)
		Pahal Financial Services Private Limited (Pahal)			March 2021	7.00	[ICRA]A- (SO)
		Pudhuaaru Financial Services Private Limited (PFSP)			March 2021	15.00	[ICRA]A- (SO)
		Saija Finance Private Limited (Saija)			March 2021	15.00	[ICRA]A- (SO)
		Sambandh Finserve Private Limited (Sambandh)			March 2020	6.00	[ICRA]A- (SO)
		Satya Microcapital Limited (Satya)			March 2021	15.00	[ICRA]A- (SO)
		Shri Ram Finance Corporation Private Limited (SRFCPL)			March 2021	10.00	[ICRA]A- (SO)
		Sonata Finance Private Limited (Sonata)			March 2021	25.00	[ICRA]A- (SO)
Svasti Microfinance Pvt. Ltd. (Svasti)	March 2021	5.00	[ICRA]A- (SO)				
Village Financial Services Limited (Village)	March 2021	10.00	[ICRA]A- (SO)				
Zen Lefin Private Limited (Capital Float)	October 2020	25.00	[ICRA]A- (SO)				

[^] weighted average interest rate to lender

Analyst Contacts

Vibhor Mittal
(+91) 22 6114 3440
vibhorm@icraindia.com

Satchit Sawant
(+91) 22-61143435
satchit.sawant@icraindia.com

Apurva Sharma
(+91) 22-6114 3452
apurva.sharma@icraindia.com

Abhijeet Ajinkya
(+91) 22 6114 3434
abhijeet.ajinkya@icraindia.com

Ayush Agarwal
(+91) 22-6114 3417
ayush.agarwal@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
communications@icraindia.com

Helpline for business queries:

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

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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

© Copyright, 2018 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