

## Northern Arc Capital Limited

April 24, 2019

### Summary of Rated Instruments

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rated Amount (Rs. Crore)	Rating Action
Northern Arc 2018 Mosec Petta	PTC Series A1	78.74	78.74	Provisional rating of [ICRA]BBB+(SO) confirmed as final

\*Instrument details are provided in Annexure I

### Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Northern Arc 2018 Mosec Petta trust as final, as tabulated above.

### Rationale

In December 2018, ICRA had assigned Provisional [ICRA]BBB+(SO) rating to PTC Series A1, issued by Northern Arc 2018 Mosec Petta trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

### Key rating drivers

#### Credit Strengths

- Availability of credit enhancement in the form of Subordination, Excess Interest Spread (EIS), First Loss Facility (FLF) for each of the sub-pools and a common Second Loss Credit Enhancement (SLCE)
- None of the contracts in the pool is overdue as on pool cut-off date
- Moderate seasoning and pre-securitisation amortisation level of the pool contracts

#### Credit Challenges

- The district concentration level in the sub-pools is high as most of the entities in the pool are geographically concentrated

### Description of key rating drivers highlighted above

The first line of support for Series A1 PTCs in the transaction is available in the form of subordination of 10.0% of the pool principal (over collateralization) provided by each of the originators. An important feature of the transaction structure is that any collection in excess of the promised interest payouts to PTC Series A1 would be first utilised for payment of expected principal of PTC Series A1. The balance amount would then leak out to the Originators on a monthly basis.

The FLF and SLCE act as further credit enhancement in the transaction. FLF, which will be provided separately by each of the originators aggregates to 6.4% of the initial pool principal amount (Rs. 5.59 crore). The FLF provided by each Originator can be used to meet the losses/ collection shortfalls of the sub pool of that Originator only, and not for meeting the losses/ collection shortfalls in the sub pools of the other Originators. The SLCE amounting to 5.0% of the initial pool principal amount (Rs. 4.37 crore) would be utilised only after the FLF provided by any specific Originator is exhausted.

The pool consists of loans with moderate seasoning and pre-securitisation amortisation of 29.0 weeks and 38.3% respectively. There are no overdue contracts in the pool as on cut-off date. The current pool is diversified across 17 states, with the concentration of top 1 state viz. Maharashtra at about 18.80%. However, at a sub-pool level for each Originator, the geographical concentration is high.

## Liquidity Position

The principal amount on the rated PTCs is promised on the scheduled maturity date. Only the interest amount is promised on a monthly basis. This structural feature imparts significant liquidity in the transaction, as even a small amount of collections in the underlying pool contracts would be sufficient to meet the promised PTC payouts.

Additionally, there is cash collateral available in the form of FLF and SLCE in transaction amounting to 6.4% and 5.0% of the pool principal amount respectively. The FLF and SLCE available in the transaction is sufficient to meet the promised interest payouts to the senior PTCs for a period of 12 months.

**Performance of past rated pools:** ICRA has rated 89 Multi Originator transactions backed by pools of MFI entities in the past, of which PTC Series A1 has matured in 81 transactions. In all such past rated transactions, there has been no shortfall in making the scheduled payments to the PTC Series A1 investors. Some of the originators in the present transaction were a part of some of the earlier ICRA-rated Multi Originator transactions.

In all multi Originator transactions that have completed at least 3 payouts to the investors and where the senior PTCs are live, the performance of most of the sub pools therein has been good with more than 95% collection efficiency and low delinquencies after the Mar-19 payouts. Cash collateral has not been utilized in case of any of these transactions.

## Key rating assumptions

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.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

## About the Originators

### Chaitanya India Fin Credit Private Limited (“Chaitanya”)

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 - Chaitanya Rural Intermediation Development Services Private Limited (Holding Company), in which the equity has been primarily brought in by the promoters and their associates; the holding company has the portfolio of two-wheeler, mortgage and fin-tech loans. 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. As on September 30, 2018, Chaitanya operated in 33 districts of three states (Karnataka, Maharashtra and Bihar) and served 2.89 lakh borrowers with a total portfolio outstanding of Rs.454.98 crore.

ICRA has a rating outstanding of BBB- (Stable) to the NCDs, subordinated debt programme and long term bank lines of Chaitanya as on Dec-18. The company reported 0+ and 30+ delinquency of 2.96% and 2.77%, respectively, as on Dec-18.

## Key Financial Indicators

	FY2017	FY2018
Total Income (Rs. Crore)	63.1	74.9
Profit after Tax (Rs. Crore)	1.2	(8.0)
Net worth (Rs. Crore)	47.1	49.1
Total Managed Portfolio (Rs. Crore)	244.0	359.3
Total Managed Assets (Rs. Crore)	331.7	413.6
Return on Managed Assets (%)	0.4%	-2.1%
Return on Net worth (%)	3.4%	-16.6%
Gearing (times)	5.2	5.9
Gross NPA (%)	7.3%	5.4%
Net NPA (%)	5.8%	0.6%
Capital Adequacy Ratio (%)	29.3%	20.5%

## Saija Finance Private Limited (“Saija”)

Saija Finance Private Limited (Saija) is an NBFC-MFI that started its microfinance operations in November 2007 as a programme under Saija Vikas, a society formed in July 2007 by the promoters – Mr. S.R Sinha and Mrs. Rashmi Sinha. The NBFC was formed in April 2008 and was granted the NBFC-MFI licence in December 2013 by RBI. Saija lends to borrowers under the joint liability group (JLG) model and primarily offers two types of loans — Saija Mahila Rin and Saija Karobar Rin. The company also provides other loan products such as Saija Urja Rin (solar lighting products), Saija Vridhi Rin, Saija Fan Rin, and Saija Stove Rin.

ICRA has a rating outstanding of BBB- (Stable) to the NCDs and long-term bank lines of Saija as on Dec-18. The company reported 0+ and 30+ delinquency of 5.87% and 3.60%, respectively, as on Dec-18.

## Key financial indicators (Audited)

	FY2017	FY2018	H1 FY2019*
Net interest income	13.37	21.77	24.28
Profit before tax	2.27	(6.81)	12.29
Profit after tax	2.14	(4.70)	8.08
Gross advances (on-book)	213.20	338.43	408.71
Gross advances (including off-book)	251.42	375.08	442.57
Total managed assets	311.79	454.78	491.90
% Tier-1	10.90%	13.50%	13.94%
% CRAR	16.10%	21.26%	22.03%
Gearing	7.75	6.10	5.90
% Net profit/Average managed assets	0.68%	(1.23)%	3.38%
% Return on net worth	7.41%	(11.12)%	27.19%
% Gross NPA	4.00%^	3.62%	2.94%
% Net NPA	0.03%	0.14%	0.17%
Net NPA/Net worth	0.20%	0.38%	1.11%

\*Provisional numbers for H1 FY2019

^Excluding RBI dispensation; 0.48% as per FY2017 audited financials

## SV Creditline Private Limited (SVCL)

SVCL started its operations in 2010 and was established by the acquisition of an existing NBFC - Mantrana Finlease Limited, which was engaged in financing of Commercial Vehicles. Subsequent to that, the company was acquired in September 2008 and renamed as SV Creditline Private Limited (SVCL). As on December 31, 2018, the company had

operations in 131 districts, spread across Uttar Pradesh (UP), Madhya Pradesh (MP), Rajasthan, Chhattisgarh, Haryana, Uttarakhand, Bihar, Punjab and Jharkhand.

ICRA has a rating outstanding of BBB- (Stable) to the NCDs, subordinated debt programme and long term bank lines of SVCL as on Dec-18. The company reported 0+ and 30+ delinquency of 13.4% and 6.8%, respectively, as on Jan-19.

### Key financial indicators (Audited)

	FY 2017	FY 2018	H1 FY 2019
Total income	180.7	133.5	74.3
Net interest income	49.3	22.3	20.4
Profit after tax	21.1	(51.7)	1.1
Total managed portfolio	817.11	873.0	783.5
Total managed assets	1,083.0	1,054.1	962.4
% Tier 1	16.1%	13.4%	13.4%
% CRAR	23.1%	22.4%	22.4%
Gearing	6.62	5.78	5.85
% Net profit / average managed assets	1.9%	(4.8%)	0.2%
% Return on net worth	28.8%	(58.4)%	2.4%
% Gross NPA	0.85%	7.86%	5.23%
% Net NPA	0.3%	3.1%	2.4%
Net NPA / net worth	1.5%	15.7%*	13.0%

### Agora Microfinance India Limited (AMIL)

Agora Microfinance India Limited (AMIL) is licensed NBFC under Section 45-IA of the RBI Act 1934. It started operations in 2011 and at present, it has operations only in the state of Maharashtra. It operates in the districts of Mumbai and Thane and has total portfolio of Rs. 38 crore as on September 30, 2018. Agora Microfinance N.V., a Netherlands based company holds 90% of its shares while the balance are held by Ms. Meenal Patole, its promoter and CEO. Agora Microfinance N.V. operates on an investor-operator model and has MFI entities operating in Cambodia and Zambia as well.

As on Sep-18, AMIL is operating only in the state of Maharashtra in Thane and Mumbai districts through 11 branches. The company reported 0+ and 30+ delinquency of 3.16% and 2.89%, respectively, as on Sep-18.

### Aviral Finance Private Limited

Aviral Finance Private Limited (formerly Golechha Trade and Management Private Limited) is a registered NBFC-MFI. While Golechha Trade was a registered NBFC providing SME loans to local businesses in Raipur, Aviral started microfinance operations in November 2016.

The company operates primarily in the state of Chhattisgarh. The asset quality indicators for the company were good with 0+ and 30+ of 0.38% and 0.09% respectively as on Sep-18.

### Magalir Micro Capital Private Limited

Magalir Micro Capital Private Limited (formerly, Magalir Micro Finance Private Limited) is an NBFC-MFI, incorporated in 2015 as a registered non-deposit taking NBFC. The company is promoted by the promoters of Seyad Group of Companies based out of Tamil Nadu. The Seyad Group started with tobacco business through Seyadu Beedi Company and later

diversified into non-tobacco businesses through other group entities such as Seyad Cotton Mills Ltd., Seyad Wind Farm, Seyad School, Seyad Shariat Finance Limited etc.

Magalir primarily provides microfinance loans as per the JLG model (90% of portfolio outstanding as on September 30, 2018). It is present in 6 districts across Tamil Nadu. The company reported nil delinquency as on Dec-18.

### **Nightingale Finvest Private Limited (NFPL)**

Nightingale Finvest Private Limited (NFPL) is a registered NBFC-MFI since 2011. Prior to obtaining NBFC-MFI license, it carried out microfinance activities as a charitable society under the Societies Registration Act. The company provides loans from Rs. 10,000 to Rs. 70,000 with tenure from 12-24 months at 24.81% p.a. The company reported 100% collection efficiency as on September 30, 2018.

NFPL operates across 4 states – Assam, Meghalaya, Mizoram and Arunachal Pradesh through 37 branches as on Sep-18. However, 90% of the company's portfolio as on Sep-18 is in the state of Assam. Also, the company reported nil delinquencies as on Sep-18.

### **Sambandh Finserve Private Limited (Sambandh)**

Sambandh Finserve Private Limited (Sambandh or SMPL) (erstwhile Modline Build-cap Private Limited) was incorporated in July 1996. The microfinance activities were started by the promoters of Sambandh in the year 2006 as a project under Regional Rural Development Centre (RRDC), one of the reputed NGOs in Odisha. It converted to an NBFC in 2009. In 2013, it secured an NBFC-MFI license 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.

As on Sep-18, Sambandh operates through its network of 57 branches, spread over 23 districts of Odisha, Chhattisgarh and Jharkhand. The company reported 0+ and 30+ delinquency of 1.20% and 0.76%, respectively, as on Sep-18.

### **Unnati Microfin Private Limited**

Unnati Microfin Pvt. Ltd (Unnati) is NBFC – MFI registered with the RBI. It was promoted by Mr. Hanumant Ranjane and family for providing loans to women from economically weaker section who are unable to approach the Banking financial services. Unnati was formerly known as Shree Om Credit Company Pvt. Ltd. (SOCC). SOCC commenced its business after taking over "Temperate Finance Private Limited", an NBFC from its erstwhile owners, and further changed its name to Shree Om Credit Company Private Limited & launched its operations in April 2012.

As on September 30, 2018, Unnati operated from 10 branches catering to 31,752 borrowers across 5 districts in Maharashtra. The company reported 0+ and 30+ delinquency of 2.19% and 1.91%, respectively, as on Sep-18.

### **Village Financial Services Limited**

Village Financial Services Limited (VFSL) is a microfinance company registered as a Non-banking Finance Company (NBFC) with the Reserve Bank of India. VFSL started micro finance operations in January 2006. Promoters of VFSL (Mr. Ajit Kumar Maity, Chairman, VFSL) are engaged in micro finance activity since 1995 through Village Welfare Society and Village Micro Credit Services (VMCS). As of now, Village Welfare Society does not undertake any micro finance activity and engaged only in grant based activities while there is no activity as of now in Village Micro Credit Services; entire portfolio of VMCS was transferred to VFSL by Sep 2009. During FY2018, the company converted itself into a 'Public' Limited Company and subsequently its name was changed to 'Village Financial Services Limited' from 'Village Financial Services Private Limited'.

Village has its corporate office in Kolkata and operates through 233 branches across ten states as on December 31, 2018. The company reported 0+ and 30+ delinquency of 0.81% and 0.70%, respectively, as on Dec-18

### Adhikar Microfinance Private Limited

Adhikar Microfinance Pvt. Ltd. (AMPL) started lending activities in the year 2004 under 'Sanchayika', with individual lending to shop owners and slum dwellers of Bhubaneswar, later extending across other areas. As the operations expanded, it got support from SIDBI and other banks. In the year 2008-09, the company decentralized its operations by having a zonal office in Orissa. In the same year, it got a NBFC license from RBI and started operations as Adhikar Microfinance Pvt. Ltd. Also, during FY2009, it got funds from NABARD, SBI, Oikocredit and NHB. The operations were streamlined with fully operational MIS system.

As on September 30, 2018, AMPL operated from 82 branches catering to 1,35,328 borrowers across 4 states. The company reported 0+ and 30+ delinquency of 1.47% and 0.51%, respectively, as on Sep-18.

### Status of non-cooperation with previous CRA: CARE Ratings, January 2019

CARE Ratings in its rationale published on January 07, 2019, has suspended the ratings assigned to the long term bank facilities of Village on account of non-cooperation by Village at the time of review of the ratings.

### Any other information: None

### Rating history for last three years

#### Table:

S.No	Name of Instrument	Current Rating (FY 2019)				Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating April 2019	Month-year & Rating in FY2018 January 2019*	Month-year & Rating in FY2017	Month-year & Rating in FY2016	
1	Northern Arc 2018 Mosec Petta	PTC Series A1	78.74	78.74	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-	

*\*Initial Ratings 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](http://www.icra.in)

## Annexure-1: Instrument Details

Trust Name	Instrument Name	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Northern Arc 2018 Mosec Petta	PTC Series A1	December 2018	12.75%	October 2020	78.74	[ICRA]BBB+(SO)

\* Scheduled maturity at transaction initiation; may change on account of prepayment

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