

May 27, 2019

Share Microfin Limited: [ICRA]D rating reaffirmed

Summary of rated instruments

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	25.00	25.00	[ICRA]D / Reaffirmed
Subordinated Debt	100.00	100.00	[ICRA]D / Reaffirmed
Bank Facilities	130.11	130.11	[ICRA]D / Reaffirmed
Total	255.11	255.11	

* Instrument details provided in Annexure-1

Rationale

The rating reaffirmation factors in continued delays in debt servicing by Share Microfin Limited (SML). ICRA notes that SML has successfully implemented the Demerger Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh (A.P.) & Telangana on April 18, 2017 leading to the AP business of Asmitha Microfin and Share Microfin to be merged into Asmitha Microfin and the Non-AP business of these two entities into Share Microfin Limited. The scheme is applicable retrospectively from April 01, 2015.

Key rating drivers

Credit strengths

- Long track record of operations geographically diversified in 18 states across India

Credit challenges

- Delays in debt servicing; ability to repay existing debt and raise fresh funding will be critical for sustenance of operations
- Marginal borrower profile and the political and operational risks associated with microlending

Liquidity Position:

The company's liquidity profile is constrained by its inability to raise fresh funding given the delays in debt servicing.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	Not Applicable
Consolidation / Standalone	Rating is based on standalone financial statements of the company.

About the company

Share Microfin Limited is a non-deposit accepting Non-Banking Finance Company – Microfinance Institution (NBFC-MFI) incorporated as a public limited Company in the year 1999. The company is engaged in lending microfinance loans to women from the weaker section of the society under joint liability group (JLG) model. As on March 31, 2019, the company's portfolio stood at Rs.788.1 crore spread across 746 branches in 294 districts in 18 states.

Share Microfin Limited is amongst the Andhra Pradesh (AP) based entities which were impacted on account of Andhra Pradesh Microfinance Institutions Act 2010; subsequent to which, the company's debt repayment abilities were impacted, and restructured under Corporate Debt Restructuring (CDR) scheme. During April 2017, through a scheme of arrangement approved by Hon'ble High Court of AP & Telangana, the company has demerged its AP portfolio into Asmitha Microfin Limited (Asmitha – previously a promoter-held company) and merged Asmitha's non-AP portfolio to the company. Subsequent to the said scheme of arrangement, the company is in discussions with its lenders to repay all the CDR debt in full.

Key financial indicators

	FY2017	FY2018
Total Income (Rs. Crore)	199.2	205.6
Profit after Tax (Rs. Crore)	4.5	6.0
Net Worth (Rs. Crore)	156.6	155.7
Total Managed Portfolio (Rs. Crore)	736.3	736.7
Total Managed Assets (Rs. Crore)	819.9	872.3
Return on Managed Assets (%)	0.6%	0.7%
Return on Net Worth (%)	2.8%	3.9%
Gearing (times)	3.9	4.2
Gross NPA (%)	3.5%	2.4%
Net NPA (%)	2.7%	0.1%
Capital Adequacy Ratio (%)	22.7%	21.4%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2020)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	FY2020	FY2019	FY2017	FY2016
					May 2019	Apr 2018	Mar 2017	Feb 2016
1	Non-convertible Debentures	LT	25.00	25.00	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D
2	Subordinated Debt	LT	100.00	100.00	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D
3	Bank loans	LT	130.11	130.11	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D

Complexity level of the rated instrument:

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
INE973K08014	Non-Convertible Debenture	31-03-2010	13.75%	NA	25.00	[ICRA]D
INE973K07032	Subordinated Debt	29-03-2010	12.00%	NA	100.00	[ICRA]D
-	Term loan 1	04-09-2008	12-13%	NA	11.46	[ICRA]D
-	Term loan 2	30-10-2008	12-13%	NA	45.83	[ICRA]D
-	Term loan 3	23-07-2008	12-13%	NA	9.17	[ICRA]D
-	Term loan 4	16-10-2008	12-13%	NA	0.88	[ICRA]D
-	Term loan 5	09-02-2009	12-13%	NA	5.09	[ICRA]D
-	Term loan 6	23-04-2009	12-13%	NA	2.29	[ICRA]D
-	Term loan 7	29-07-2008	12-13%	NA	0.50	[ICRA]D
-	Term loan 8	15-10-2007	12-13%	NA	10.31	[ICRA]D
-	Term loan 9	21-05-2007	12-13%	NA	2.77	[ICRA]D
-	Term loan 10	16-05-2008	12-13%	NA	1.30	[ICRA]D
-	Term loan 11	03-03-2009	12-13%	NA	9.17	[ICRA]D
-	Term loan 12	31-05-2008	12-13%	NA	1.53	[ICRA]D
-	Term loan 13	31-12-2008	12-13%	NA	5.73	[ICRA]D
-	Term loan 14	03-11-2008	12-13%	NA	2.29	[ICRA]D
-	Term loan 15	6-Dec-2008	12-13%	NA	3.05	[ICRA]D
-	Term loan 16	21-03-2009	12-13%	NA	7.64	[ICRA]D
-	Term loan 17	23-06-2009	12-13%	NA	9.17	[ICRA]D
-	Term loan 18	14-05-2008	12-13%	NA	1.93	[ICRA]D
Total					255.11	

Source: Share Microfin Limited; *Date of maturity for the loans to be decided after confirmation of balances by the lenders post implementation of the Scheme of Arrangement as approved by the High Court

Annexure - 2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Ms. Supreeta Nijjar

+91 1244 545 324

supreetan@icraindia.com

Ms. Swathi Hebbar

+91 80 4332 6404

swathi.hebbar@icraindia.com

Mr. Rajat Mehta

+91 1244 545 377

rajat.mehta@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (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) 2556 0194/ 6606 9999

© Copyright, 2019 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