March 31, 2021

Vivriti Capital Private Limited: Rating reaffirmed for loans given under Vivriti MBCEL III 2019 transaction

Summary of rating action

S. No.	Borrower Name	Initial Loan Amount (Rs. crore)	Amount o/s after Aug-2020 Payout (Rs. crore)	Amount o/s after Feb-2021 Payout (Rs. crore)*	Rating Action
1	Chaitanya India Fin Credit Private Limited	5.00	2.08	0.83	[ICRA]A-(CE) (Stable) reaffirmed
2	Namra Finance Limited	15.00	6.25	2.50	[ICRA]A-(CE) (Stable) reaffirmed
3	Pahal Financial Services Private Limited	10.00	5.00	2.50	[ICRA]A-(CE) (Stable) reaffirmed
4	Midland Microfin Limited	10.00	5.00	2.50	[ICRA]A-(CE) (Stable) reaffirmed
	Total	**40.00**	**18.33**	**8.33**	

S. No.	Borrower Name	Rating Without Explicit Credit Enhancement
1	Chaitanya India Fin Credit Private Limited	[ICRA]A-
2	Namra Finance Limited	[ICRA]BBB
3	Pahal Financial Services Private Limited	[ICRA]BBB-
4	Midland Microfin Limited	[ICRA]BBB-

**Instrument details are provided in Annexure-1*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

ICRA also has ratings outstanding on the other rated facilities/instruments of the following entities:
Chaitanya India Fin Credit Private Limited: Refer to this link for details
Pahal Financial Services Private Limited: Refer to this link for details

Rationale

Under a multi-borrower credit enhanced loan (MBCEL) programme, viz. Vivriti MBCEL III 2019, the lender has provided loans to the four borrower entities mentioned in the table above. The rating is based on the credit profile of each borrower and the available credit enhancement in the form of a common partial guarantee (provided by Vivriti Capital Private Limited (VCPL); rated [ICRA]A-(Stable)).

The rating reaffirmation takes into account the significant amortisation of the loans, which has led to the build-up of the common partial guarantee cover over the future loan repayments (110% of the aggregate principal outstanding of Rs. 8.33 crore). While reaffirming the rating, ICRA has analysed the transaction at the proposed reduced guarantee amount of Rs. 4.17 crore (50% of the MBCEL amount outstanding after the February 2021 payout). The reaffirmation also factors in the improvement in the overall credit quality of the MBCEL programme, supported by the strengthening of the credit profile of one of the underlying borrowers, viz. Chaitanya India Fin Credit Private Limited (CIFCPL). The rating, however, remains constrained by the borrower concentration risk in the transaction as well as the exposure to adverse sector-wide developments as the entities in the MBCEL programme are in the field of microfinance lending.

Adequacy of credit enhancement

The common partial guarantee is legally enforceable, irrevocable, unconditional, covers the tenor of the rated instrument and has a well-defined invocation and payment mechanism. The payment mechanism is as follows:

Trigger Date	Action Points
T-3	Borrower shall pay monthly interest and principal due along with other obligations (if any) to the lender, 3 days prior to the due date
T-2	In the event of the failure of the borrower to make the payment due as per the above-mentioned timeline, the lender will invoke the guarantee and send one business day notice to the guarantor to make the payment due
T-1	Guarantor to make the payment due

***Note:** T stands for due date*

Salient covenants of the rated facility

» *Cross-default by the borrower is an event of non-compliance*

» *In the event of non-compliance as defined in the transaction documents, the borrower is to make weekly principal repayments. The schedule shall be drawn up to ensure that the last payment date of an approximate 4-week period (or 5-week period as applicable) shall fall on a principal repayment date*

» *In the event of default as defined in the transaction documents, all outstanding amount of the facilities shall stand accelerated and will be payable within 2 business days*

Key rating drivers and their description

Credit strengths

Common guarantee provided by VCPL – The rating factors in the credit enhancement in the form of a common corporate guarantee of Rs. 4.17 crore (to be reduced from Rs. 9.17 crore, subject to lender's approval) provided by VCPL, which can be invoked to meet any shortfall in the debt servicing by the borrowers. The payment mechanism is designed to ensure the timely servicing of the amounts due to the investor even in the event of the guarantee being invoked. The guarantee is sufficient to cover an immediate default by any underlying borrower and would cover the residual cashflows of all the underlying borrowers after four months, given the limited residual tenure of the transaction.

Diversification achieved through presence of multiple entities with investment grade ratings – The presence of four borrower entities in the MBCEL programme provides some diversification benefit. Further, the borrower entities have investment grade ratings and have exhibited relatively stable credit profiles since the commencement of the transaction with one entity, viz. CIFCPL, witnessing a relative improvement in its standalone credit profile.

Credit challenges

High borrower-level concentration – The borrower-level concentration remains high with the top two borrower entities constituting 60% of the MBCEL amount outstanding after the February 2021 payout. However, the limited balance tenure of the loan facility, which would lead to the faster build-up of the guarantee amount as a percentage of the loan outstanding, provides comfort.

Adverse sector-wide developments could impact the standalone credit quality of multiple borrowers – As all the borrowing entities have microfinance lending, the rating remains constrained by the vulnerability of the borrowers to any adverse sector-wide development and any political or environmental issues that could affect their portfolio's performance. While the entities have been able to gradually improve their collection efficiencies after seeing a sharp decline post the nationwide lockdown in March 2020, their credit profiles would remain exposed to any future disruptions that may arise due to the Covid-19 pandemic.

Liquidity position: Adequate

The liquidity profile of the underlying borrowers is largely adequate to meet the debt servicing requirements. Additional liquidity is available in the form of an unconditional and irrevocable partial guarantee from VCPL.

Rating sensitivities

Positive factors – The rating could be upgraded on an improvement in the credit profile of the common guarantor, viz. VCPL, along with sufficient amortisation of the loan facilities leading to the build-up of the guarantee cover over future payments.

Negative factors – A deterioration in the credit quality of the underlying entities could lead to pressure on the rating. The rating could also be downgraded on a deterioration in the credit profile of the guarantor (VCPL).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Pooled Loan / Bond Issuance Structures
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the guarantor

Vivriti Capital Private Limited

Promoted by Mr. Vineet Sukumar and Mr. Gaurav Kumar in June 2017, VCPL provides diverse financing solutions, including loans and structured debt products, to entities providing microfinance, housing finance, vehicle finance and consumer finance, and to enterprises (corporates) among others. For the detailed rating rationale on VCPL, please refer to this link.

About the borrowers

Chaitanya India Fin Credit Private Limited

Chaitanya India Fin Credit Private Limited (CIFCPL) is a microfinance institution (MFI), which started operations in October 2009. It is fully held by the parent company, Navi Finserv Private Limited. CIFCPL lends to women, primarily in rural areas, under the Grameen Bank group lending model. It offers microfinance loans under the joint liability group (JLG) model as well as individual loans. As on December 31, 2020, CIFCPL was operating out of 6 states across 72 districts with 4.59 lakh active borrowers.

For the detailed rating rationale on CIFCPL, please refer to this link.

EXHIBIT 1: Key financial indicators – CIFCPL (standalone)

CIFCPL (standalone)	FY2019	FY2020	9M FY2021 (Prov)
Total income	104.9	168.6	104.6
Profit after tax	7.2	5.1	13.5
Net worth	64.2	316.9	338.1
Total managed portfolio	571.8	866.5	821.2
Total managed assets	699.5	952.3	958.6
Return on managed assets	1.3%	0.6%	2.8%*
Return on net worth	12.8%	2.7%	8.2%*
Managed gearing (times)	9.2	1.9	1.7
Gross NPA (%)	2.6%	0.8%	0.9%
Net NPA (%)	0.4%	0.4%	0.5%

*Amounts in Rs. crore; **Source:** CIFCPL & ICRA research; *Provisional; All ratios as per ICRA calculations; * Annualised*

Namra Finance Limited

Namra Finance Limited (NFL), a wholly-owned subsidiary of Arman Financial Services Ltd (AFSL), manages the microfinance business of the Arman Group. NFL is registered with the Reserve Bank of India (RBI) as a non-banking financial company - microfinance institution (NBFC-MFI). As on December 31, 2020, the company had operations in six states, namely Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan and Uttarakhand, with a total of 171 branches. Its assets under management (AUM) stood at Rs. 548.7 crore with a net worth of Rs. 120.4 crore as on December 31, 2020.

EXHIBIT 2: Key financial indicators – NFL (audited)

NFL (audited)	FY2019	FY2020	9M FY2021 (Prov)
Profit after tax (PAT)	15.0	25.2	4.1
Net worth	79.9	113.9	120.4
Assets under management (AUM)	483.8	621.5	548.7
Total assets	494.8	664.7	611.7
Total managed assets	550.5	706.4	632.8
Return on average assets	3.5%	4.3%	0.8%
Return on average equity	25.1%	26.0%	4.6%
Gearing (times)	4.7	4.7	3.6
Capital to risk-weighted assets ratio (CRAR)	18.6%	21.6%	23.1%
Gross NPA%	0.5%	0.9%	3.9%*
Net NPA%	0.1%	0.0%	0.0%

*Amounts in Rs. crore; **Source:** NFL & ICRA research; * Represents 90+dpd as on December 31, 2020*

Pahal Financial Services Private Limited

Pahal Financial Services Private Limited (PFSPL) is an Ahmedabad-based NBFC-MFI registered with the RBI. 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 PFSPL acquired the portfolio of Rs. 2.6 crore spread over 15 branches, along with the field staff of Lok Vikas and subsequently transferred the acquired portfolio to an NBFC along with an equity contribution of Rs. 2 crore. The NBFC was renamed Pahal Financial Services Private Limited. PFSPL follows the Grameen model of lending to poor women primarily in the rural and semi-urban areas of Gujarat, Rajasthan, Madhya Pradesh, Bihar and Maharashtra. Pre-Covid, it had also ventured into Chhattisgarh and Uttar Pradesh where growth has been low due to Covid-19-related issues.

For the detailed rating rationale on PFSPL, please refer to this link.

EXHIBIT 3: Key financial indicators – PFSPL (audited)

PFSPL (audited)	FY2019	FY2020	9M FY2021 (Prov)
Total income	89.2	145.1	116.4
Profit after tax	8.0	15.9	7.2
Net worth	57.3	113.7	127.2
Loan book	356.3	554.7	567.2
Total managed assets	634.1	866.5	871.0
Return on managed assets	1.8%	2.1%	1.2%
Return on average net worth	17.6%	18.6%	8.0%
Gross gearing (times)	7.4	4.9	4.5
Gross NPA%	0.09%	0.22%	3.89%*
Net NPA%	0.04%	0.22%	3.89%*

*Amounts in Rs. crore; **Source:** PFSPL & ICRA research; * Represents 90+dpd as on December 31, 2020*

Midland Microfin Limited

Midland Microfin Limited (MML) is a registered NBFC-MFI, which started microfinance operations in January 2011. MML was initially engaged in the hire purchase business and had been incorporated in 1988 under the name Sajan Hire Purchase Pvt Ltd. Sajan Hire Purchase was acquired by Mr. Amardeep Samra's Midland Group in 2010. The company got registered with the RBI as an NBFC-MFI in January 2015. As on September 30, 2020, the company has been operational in seven states and one Union Territory with Punjab having the highest share of 43% in terms of loan outstanding.

EXHIBIT 4: Key financial indicators – MML (audited)

MML (audited)	FY2019	FY2020	9M FY2021 (Prov)
PAT	8.6	18.7	13.9
Net worth	83.4	118.6	175.1
Net loan assets	549.1	777.7	737.9
Total assets	777.13	978.0	1,023.9
Total managed assets	827.6	1,072.6	1,058.5
Return on average assets	1.5%	2.1%	1.8%
Return on average equity	12.7%	18.5%	12.6%
Gearing (times)	11.0	7.4	4.9
Gross NPA%	0.51%	0.57%	1.38%
Net NPA%	0.05%	0.05%	0.23%

Amounts in Rs. crore; ***Source:*** *MML & ICRA research*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)					Chronology of Rating History for the past 3 years		
		Borrower	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 23, 2021 (Rs. crore)	Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2018 & FY2019
					Mar 31, 2021	Sep 25, 2020	Nov 29, 2019	May 30, 2019	-
1	Vivriti MBCEL III 2019	Chaitanya India Fin Credit Private Limited	5.0	0.83	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE)	Provisional [ICRA]A-(SO)	-
		Namra Finance Limited	15.0	2.50	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE)	Provisional [ICRA]A-(SO)	-
		Pahal Financial Services Private Limited	10.0	2.50	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE)	Provisional [ICRA]A-(SO)	-
		Midland Microfin Limited	10.0	2.50	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE)	Provisional [ICRA]A-(SO)	-

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.	Transaction Name	Borrower Name*	Date of Issuance	Interest Rate^	Scheduled Maturity Date	Rated Amount (Rs. crore)	Current Rating
NA	Vivriti MBCEL III 2019	Chaitanya India Fin Credit Private Limited	May 2019	Blended yield of 11.0%	Jun 2021	0.83	[ICRA]A-(CE) (Stable)
		Namra Finance Limited			Jun 2021	2.50	[ICRA]A-(CE) (Stable)
		Pahal Financial Services Private Limited			Aug 2021	2.50	[ICRA]A-(CE) (Stable)
		Midland Microfin Limited			Aug 2021	2.50	[ICRA]A-(CE) (Stable)

** Term loans rated for all borrowers*
^ Weighted average interest rate to lender
Source: *Company*

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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.

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