

APRIL 19, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE COMMERCIAL PAPER ISSUE OF IFMR CAPITAL FINANCE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper Issue	25 (Rupees Twenty Five crore only)	CARE A1+ [A One Plus]	Reaffirmed

Rating Rationale

The rating assigned to the commercial paper issue of IFMR Capital Finance Private Ltd (IFMR Capital) continues to draw strength from the expertise of IFMR Capital in the microfinance sector supported by sound risk management systems, strong management team. The rating also factors in the increasing portfolio diversification arising from other asset classes including Affordable Housing Finance (AHF), Small Business Loans(SBL) and Commercial Vehicle Finance (CVF), good asset quality, moderate revenue diversification through fee-based income, reduction in obligor concentration and geographic diversification of the portfolio.

The rating also considers exposure of its investment portfolio to subordinated tranches of securitisation, which are relatively risky, relatively lower track record in other asset classes as well as overall exposure to the microfinance sector and the related socio-political intervention risks. The rating also takes note of moderation in capital adequacy levels during FY15 (refers to the period April 1 to March 31) on account of high growth in the loan & investment portfolio which has more than doubled.

Going forward, the timely infusion of equity in order to improve Capital Adequacy Ratio, maintaining its asset quality and profitability are the key rating sensitivities.

Background

IFMR Capital is a Chennai-based non-deposit taking systemically important NBFC, primarily engaged in enabling small and medium-sized NBFCs, NBFC-MFIs and HFCs to access debt capital including by way of securitisation, bond issuances, commercial paper and structured finance transactions. It also provides loans to its clients and invests in the subordinated tranches of securitization pools. IFMR Capital commenced NBFC activities in 2008 with a focus on the microfinance sector mainly to small and medium-sized MFIs. Later, IFMR Capital has expanded scope of business to include other asset classes - AHF (Affordable Housing Finance), SBL(Small Business Loans) and CVF (Commercial Vehicle Finance).As on March 2015, 59%, stake of IFMR Capital is held by the holding company (IFMR Holdings Private Ltd which in turn held by IFMR Trust) and the rest by Leapfrog Financial Inclusion India Holdings Limited. The IFMR group structure has undergone a change in FY15, due to the organizational restructuring, subsequent to which the IFMR Investment Managers Pvt Ltd and IFMR Investment Adviser Services Pvt Ltd (earlier subsidiary of IFMR Holdings) are now a wholly owned subsidiaries of IFMR Capital Finance Pvt. Ltd.

During FY15 (refers to the period April 01 to March 31), the company reported a PAT of Rs. 38.2 crore on a total income of Rs.151.8 crore. As on March 31, 2015, investment in securitisation transactions was Rs.234.2 crore while loan portfolio outstanding was Rs.766.8 crore. CAR stood at 19.66% on March 31, 2015.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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Mr V Leeladhar, Member of CARE's Rating Committee, is an Independent Director on the board of IFMR Rural Channels & Services Private Limited (group company of IFMR Capital) and to comply with the regulations, the Member did not to participate in the rating process and the Rating Committee Meeting.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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