

## Visage Holdings and Finance Private Limited

February 19, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Non-Convertible Debenture-III	32.00 (Rupees Thirty two crore only)	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Assigned
Long-term Bank Facilities	77.00 (Rupees Seventy seven crore only)	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Non-Convertible Debenture-I	21.00 (Rupees Twenty one crore only)	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Non-Convertible Debenture-II	12.00 (Rupees Twelve Crore only)	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Sub-ordinated Debt issue	12.00 (Rupees Twelve Crore only)	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and debt instruments of Visage Holdings and Finance Private Limited (VHFPL) operating under the brand name Kinara Capital continues to factor in the experience of the management, adequate loan appraisal, risk management and MIS systems. The ratings also factor in the improvement in capitalisation profile and business performance during 9MFY18 (refers to the period April 01 to December 31) with focus on geographical diversification of loan portfolio.

The ratings are constrained by limited seasoning of its portfolio, presence in the MSME segment which is relatively risky and unsecured nature of exposure, moderate asset quality and concentrated resource profile.

In light of high growth plans envisaged by the company in the medium term, ability of VHFPL to improve its asset quality & profitability while geographically diversifying its portfolio and effectively manage its growing scale of operations would be the key rating sensitivities.

### Outlook: Positive

The outlook is revised to 'Positive' based on the expectation that the infusion of equity capital of Rs.70 crore by external equity investors during October 2017 is likely to strengthen the capital base of the company and aid in increase in scale of operations thereby achieving benefits of scale going forward. The outlook, however, may be revised to 'Stable' if the company is not able to improve its asset quality and profitability indicators while increasing the scale of operations.

### Detailed description of the key rating drivers

#### Key Rating Strength

**Experienced Management team:** The board and senior management has considerable experience in the financial sector especially in the micro lending segment. Ms. Hardika Shah, Director and CEO, has nearly 20 years of management consulting experience. The board consists of eight directors with two promoter directors and four nominee directors each from Gaja Capital, Gawa Capital, Michael & Susan Dell Foundation and Unitus Impact and two independent Directors. Ms. Hardika Shah is also supported by Mr. Thirunavukkarasu (Chief Operating Officer) in the board who has an experience of around 12 years in the Indian microfinance industry.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

**Adequate Loan appraisal and risk management systems:** VHFL has reasonable structure to monitor the operations at different levels. It has defined credit appraisal, collection and monitoring systems. The sourcing of the business is through the direct sales from the loan officer or through the channel partner. The channel partners are machine manufacturers/dealers who assist their customers to get loan through VHFL. The selection of the customers runs through several levels of checks including psychometric test, KYC norms, personal visits, business cash flow assessment, credit bureau check and verification of the business track record and references from existing customers. The disbursements happen by way of RTGS to the respective vendor account in case of Asset financing or to the customer in case of working capital loans.

**Improvement in the Capitalisation supported by recent equity infusion:** During October 2017, the company received equity capital of Rs. 70.0 crore from the external investors due to which the networth improved from Rs.24.1 crore as on March 31, 2017 to Rs. 97.8 crore as on December 31, 2017. The total CAR increased from 20.37% as on March 31, 2017 to 37.37% as on December 31, 2017. The gearing also improved from 7.90x to 2.20x during aforementioned period.

**Improvement in the profitability however operating expenses are high:** VHFL reported total income of Rs.46.9 crore in 9MFY18 as against Rs.32.7 crore in FY17 on the back of strong growth in its loan portfolio. The company reported PAT of Rs. 2.4 crore in 9MFY18 as against Rs.1.8 crore in FY17. The NIM was improved from 7.75% in FY17 to 9.20% in 9MFY18 however corresponding increase in operating expense to 9.32% in 9MFY18 from 7.75% in FY17 due to branch expansion from 38 in March 2017 to 58 in December 2017, ROA remained at 1.16% in 9MFY18 as against 1.13% in FY17

### Key Rating Weaknesses

**Presence in the MSME segment which is relatively riskier and unsecured nature of exposure:** VHFPL is lending loans to MSME segment which is characterized by marginal credit profile of the borrowers. VHFPL provides loans only through hypothecation of the assets (machinery) and does not take any collateral for the loans which may result in higher losses at the time of recovery.

**Limited seasoning of portfolio with moderate asset quality:** VHFL commenced lending operations in November 2011 and has relatively limited track record and limited seasoning of the loan portfolio. As a result, its asset quality performance through different economic cycles and geographies is yet to be established. VHFL's asset quality indicators remain at moderate levels. Gross NPA ratio (180 dpd) stood at 1.25% and Net NPA stood at 0.82% as on March 31, 2017. As on December 31, 2017, Gross and Net NPA stood at 1.30% and 0.75% respectively. Given the recent diversification with increased number of branches and growth in portfolio, ability of the company to manage its asset quality would remain critical.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Non-Banking Financial Companies](#)

[Financial ratios – Financial sector](#)

### About the Company

VHFPL was incorporated in New Delhi in 1996 and registered as a Non-banking Financial Company and obtained Certificate of Registration from Reserve Bank of India (RBI) on March 23, 2000. VHFPL was taken over by the current promoter (Ms. Hardika Shah) in 2011 and subsequently the registered office was moved to Bangalore in 2013 and obtained a fresh Certificate of Registration from RBI dated August 27, 2013. VHFPL provides loans in the range of Rs.1 Lakh to Rs.20 Lakh to Micro and Small businesses through a supply-chain financing model. VHFPL offers two products, i.e. Long-term loans (LTL) for asset financing and working capital plus short-term working capital loans in the form of Receivables financing/Line of credit (RF/LOC). The asset/machine purchased by the customers is hypothecated and no collateral is taken by VHFPL while lending.

VHFPL currently operates from 58 branches spread across 7 states and 1 Union Territory. As on December 2017, VHFPL had AUM of Rs.295.56 crore of which LTL constituted 95% and the rest being LOC. During October 2017, the company received equity capital of Rs. 70 crore from the external investors Gaja Capital and Global Impact Funds SCA – SICAR (Gawa Capital) and existing investors Michael & Susan Dell Foundation and Unitus Impact PCC.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	12.1	32.7
PAT	0.1	1.8
Interest coverage (times)	1.06	1.11
Total Assets	92.1	227.2
Net NPA (%)	0.91	0.82
ROTA (%)	0.23	1.13

A: Audited;

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Mr Sudhakar P

Tel: 044-2849 7812

Mobile :94422 28580

Email: [p.sudhakar@careratings.com](mailto:p.sudhakar@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BBB-; Positive
Fund-based - LT-Term Loan	-	-	April 2021	67.00	CARE BBB-; Positive
Debt-Subordinate Debt	September 21, 2016	16.90%	September 2022	12.00	CARE BBB-; Positive
Debentures-Non Convertible Debentures	January 31, 2017	13.45%	February 2020	21.00	CARE BBB-; Positive
Debentures-Non Convertible Debentures	July 04, 2017	13.50%	July 2020	12.00	CARE BBB-; Positive
Debentures-Non Convertible Debentures	February 15, 2018	12.0605%	February 2023	32.00	CARE BBB-; Positive

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	67.00	CARE BBB-; Positive	1)CARE BBB-; Stable (29-Sep-17)	1)CARE BBB-; Stable (31-Jan-17) 2)CARE BBB- (07-Oct-16) 3)CARE BBB- (16-Sep-16)	-	-
2.	Debt-Subordinate Debt	LT	12.00	CARE BBB-; Positive	1)CARE BB+; Stable (29-Sep-17)	1)CARE BB+; Stable (31-Jan-17) 2)CARE BB+ (16-Sep-16)	-	-
3.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Positive	1)CARE BBB-; Stable (29-Sep-17)	1)CARE BBB-; Stable (31-Jan-17)	-	-
4.	Debentures-Non Convertible Debentures	LT	21.00	CARE BBB-; Positive	1)CARE BBB-; Stable (29-Sep-17)	1)CARE BBB-; Stable (31-Jan-17)	-	-
5.	Debentures-Non Convertible Debentures	LT	12.00	CARE BBB-; Positive	1)CARE BBB-; Stable (29-Sep-17) 2)CARE BBB-; Stable (29-Jun-17)	-	-	-

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
Cell: + 91 98190 09839  
E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
Cell: + 91 99675 70636  
E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-9099028864  
Tel: +91-79-4026 5656  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 85111-53511/99251-42264  
Tel: +91- 0172-490-4000/01  
Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**HYDERABAD**

**Mr. Ramesh Bob**  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell : + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691