

Vanchinad Finance Private Limited(VFPL)

February 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable;

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 26, 2019, placed the rating(s) of Vanchinad Finance Private Limited (VFPL) under the 'issuer non-cooperating' category as VFPL had failed to provide information for monitoring of the rating. VFPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated October 30, 2023, November 09, 2023 and November 19, 2023. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of VFPL has been revised on account of absence of adequate information required for reviewing the rating.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on December 14, 2022 the following were the rating strengths and weaknesses (updated for the information available from company website (FY23 (refers to the period April 01 to March 31) financials) and other public information.

Key weaknesses

Small scale and geographically concentrated operations with limited track record in MFI business: VFPL commenced its MFI operations in December 2016 and the Loan portfolio stood at Rs.183 crore as on March 31, 2023 (Rs.169 crore as on March 31, 2022). The scale of operations of the company is at modest level. VFPL's business is geographically concentrated, operating in two states namely, Tamil Nadu and Kerala. As on March 31, 2023, Kerala accounted for 87% of the total AUM, followed by Tamil Nadu having around 13% of the total AUM.

Concentrated resource profile: VFPL has promoter funding in the form of capital which stood at Rs.25.00 crore and net worth stood at Rs.37.34 crore as on March 31, 2023. VFPL predominantly has long term borrowings in the form of NCDs and Sub-debt issued on private placement basis. The total long-term borrowings as on March 31, 2023 stood at Rs.104.38 crore as against Rs.80.80 crore as on March 31, 2022. VFPL also has cash credit limit from State Bank of India.

Key Strengths

Experienced management team and long-standing presence of promoter in lending operations: Vanchinad Finance Private Limited is promoted by SML Finance Limited (SMLFL, rated CARE B-; Stable; ISSUER NOT COOPERATING). SMLFL acquired Vanchinad Finance Private Limited (VFPL) in the form of a wholly owned subsidiary company in the month of May, 2016, holding 99.95% of Equity Shares to expand its presence in micro finance sector. VFPL has an experienced senior management team in the lending space and day to day operations of the company are looked after by this team which has been associated with the SML group for long time.

Adequate loan appraisal and monitoring systems given the size of operations: VFPL is engaged in the business of offering micro finance products under Joint Liability Group (JLG) model and has defined credit appraisal, collection and monitoring systems. The credit appraisal system is centralized wherein the loan documents and other eligibility documents

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

are prepared at the branch level and recommendations are forwarded to Head office (HO). The HO in turn performs the credit bureau check and approves the loan depending on the credit bureau report. The company adopts cashless disbursements where the disbursement amount is directly credited to the borrower's account whereas the collections happen in centre meetings through cash. VFPL follows fortnightly collection model and the daily demand collection information could be accessed by the FO and the collection details could also be uploaded in MIS by the branches which is accessible by HO enabling efficient monitoring system. At present, the company uses MIS built by external vendor for the day-to-day operations. The system would be able to generate various reports like PAR report, disbursement report, cash, status, audit report etc.

Adequate capitalization profile: With the internal accruals, VFPL's net worth stood at Rs.37 crore as on March 31, 2023 as against Rs.33 crore as on March 31, 2022. Capital adequacy ratio as on March 31, 2023 stood at 21.43% as against 21.14% as on March 31, 2022. Overall gearing increased to 3.77x as on March 31, 2023 as against 4.14x as on March 31, 2022.

Improvement in Profitability during FY23: During FY23, VFPL reported PAT of Rs.6.09 crore on a total income of Rs.52.69 crore as against a PAT of Rs.4.14 crore on a total income of Rs. 39.11 crore during FY22. NIM increased to 14.14% in FY23 from 11.52% in FY22. Opex increased from 9.91% in FY22 to 10.63% in FY23. As a result of higher NIM, ROTA increased from 2.55% in FY22 to 3.30 in FY23.

Asset quality profile: VFPL have maintained healthy asset quality since inception primarily on account of efficient monitoring and collection mechanism. GNPA and NNPA as on March 31, 2023 stood at 0.27% and 0.00% respectively as against 0.00% and 0.00% as on March 31, 2022 on account of the write-offs done during FY23 amounting to Rs.8.16 crore.

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Financial Ratios-Financial Sector](#)

[CARE's Rating Methodology for Non-Banking Finance Companies \(NBFCs\)](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Microfinance Institutions

Vanchinad Finance Private Limited (VFPL), incorporated in 1987 is a non-deposit taking NBFC having its registered office at Thrissur, Kerala. VFPL is a wholly owned subsidiary of SML Finance Limited (**Rated: CARE B-; Stable; ISSUER NOT COOPERATING**) which is based out of Kerala. SML Finance Ltd, the flag ship company of SML group is a deposit taking NBFC offering vehicle loans, medium enterprise loans, gold loans, and property loans. SML finance acquired VFPL in May 2016 with the aim to expand its microfinance business across rural sector. The company has started operations with five new branches in south of Kerala during FY17. VFPL offers microfinance loans under the Self-help group (SHG) model. VFPL has operations spread across Kerala and Tamil Nadu, with a network of 59 branches and assets under management (AUM) of Rs 176 crore as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	39.11	52.70
PAT	4.13	6.10
Interest coverage (times)	1.38	1.49
Total Assets	177.54	190.78
Net NPA (%)	0.00	0.00
ROTA (%)	2.54	3.31

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Acuite has conducted the review on the basis of best available information and has classified VFPL as "Not cooperating" vide its press release dated November 21, 2023.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (14-Dec-22)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (22-Sep-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (29-Jun-20)

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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