

Chaitanya India Fin Credit Private Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	500.00	CARE AA-; Stable	Reaffirmed
Commercial Paper	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings of Chaitanya India Fin Credit Private Limited's (CIFCPL) bank facilities at CARE AA-/ Stable and CP rating at CARE A1+. Ratings factor in benefits derived from it being a subsidiary of Svatanttra Microfin Private Limited – SMPL (CARE AA-/Stable), established track record of CIFCPL in the microfinance business, its relatively stable financial performance, low non-performing asset (NPA) levels, increasing scale of operations with improving profitability and comfortable capitalisation levels. However, ratings are constrained by regional concentration of its portfolio, concentrated resource profile with bank funding forming major portion of its borrowings and inherent risks associated with the borrowers profile and microfinance industry, including socio-political and regulatory risks

On November 06, 2024, SMPL's Board of Directors ("Board") have inter-alia, considered and approved the draft Scheme of Amalgamation between Svatanttra Holdings Private Limited, Chaitanya India Fin Credit Private Limited and Svatanttra Microfin Private subject to the receipt of necessary approvals from the statutory and regulatory authorities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in credit profile of the parent SMPL.
- Increase scale of operations with geographical diversity and maintaining comfortable asset quality.

Negative factors

- Moderation in expected support from the SMPL, including decline in shareholding below 51%.
- Deterioration in credit profile of the parent SMPL.
- Deterioration in asset quality and profitability metrics on a sustained basis.

Analytical approach: Standalone

CIFCPL's standalone business profile has been considered and support and linkages from SMPL.

Outlook: Stable

The 'Stable' outlook factors in continued support from SMPL and that CIFCPL will maintain healthy capitalisation, improve scale of operations while maintaining healthy asset quality going forward.

Detailed description of key rating drivers:

Key strengths

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

Strong parentage, expected capital and managerial support from SMPL

CIFCPL was acquired by SMPL, which is founded and headed by Ananyashree Birla (Chairman), in FY24 and is currently held majorly by the Birla family and other investment companies of the Aditya Birla group. SMPL is further planning to merge with CIFCPL, indicating integration of operations and management. The process of merger with SMPL has started and is expected to be completed in next 6-9 months

Till the merger is completed, CARE Ratings anticipates continued support from SMPL in terms of capital and other resources to facilitate CIFCPL's operational growth. Reduced ownership by SMPL below majority holding or change in CIFCPL's strategic importance to the group, will be a key monitorable.

Comfortable capitalisation profile

The company's capital position remained adequate with increase in its scale of operations. As on March 2024, tangible net worth stood at ₹1080 crore (₹711 crore as on March 31, 2023) which further increased to ₹1223 crore as on September 2024 supported by internal accruals. Gearing is comfortable at 3.94x as on September 30, 2024 (4.14x as on March 31, 2024, 4.88x as on March 31, 2023). Total capital adequacy ratio (CAR) and Tier-I CAR, as on September 30, 2024, are 22.51% and 18.97%, respectively, against 22.34% and 16.01%, respectively, as on March 31, 2023.

CARE Ratings overall believes the financial flexibility to raise equity will not only aid business growth and expansion over the medium term but will also help absorb unforeseen shocks in asset quality over the medium term. CARE Ratings understand that capital support from SMPL through Birla family and Birla Group investment companies in the form of growth capital and distress support as and when required, shall be forthcoming, and considers this to be one of the key ratings monitorable.

Increasing scale of operations in FY24, however, growth expected to moderate in FY25 and improving profitability metrics

CIFCPL's assets under management (AUM) has shown a continuous growth in the last five years with AUM growing from ₹399 crore at the end of FY19 to ₹6713 crore at the end of FY24. AUM grew by 37% in FY24. Disbursements also grew with the growth in AUM with FY24 recording disbursements of ₹6345 cores (27% up from FY23). As on September 30, 2024, the AUM grew slightly by ₹140 crore to ₹6,853 crore while disbursements grew to ₹2027 crores. CIFCPL continues to remain profitable since the last five years (since FY19) with continuous growth in the loan portfolio.

On profitability side, the company reported a profit after taxes (PAT) and return on total assets (ROTA) (% of average total assets) of ₹296 crore and 5.81%, respectively in FY24 vs ₹148 crore and 4.31% in FY23. With rising yields post the Reserve Bank of India's (RBI) revised regulatory framework (de-regulation of rate of interest), CIFCPL's yields (calculated as % of average loan book) increased to 26.17 percentage in H1FY25 (against 23.11% in FY24, 21.42% in FY23). Other income as a percentage of average total assets increased from 3.10 percentage in FY23 to 3.74% in FY24, driven by a rise in direct assignment, facilitation and referral income. It was reported at 2.10% in H1FY25. The company's operating cost (as percentage of average total assets) increased to 8.45% in H1FY25 against 7.55% in FY24. This increase is due to addition of branches and employees in the quarter. The company expanded from 848 branches (12 states) as on March 31, 2024, to 1011 branches (13 states) as on September 30, 2024. Furthermore, the number of employees also increased from 8701 as on March 31, 2024, to 10179 as on September 30, 2024. The company's credit cost increased slightly from 0.98% in FY23 to 1.53% in FY24 with increasing slippages. With stable credit cost at 1.76% on annualised basis in H1FY25 despite stress in MFI sector, the company reported a PAT of ₹161 crore leading to ROTA of 5.31% on annualised basis.

Considering the ongoing stress in the overall MFI industry, credit costs may rise further due to increasing delinquencies. The company's ability to maintain overall profitability metrics with economies of scale by keeping operating and credit costs under control, will remain a key monitorable

Comfortable asset quality

The company has performed well in terms of maintaining comfortable asset quality. Gross non-performing assets (GNPA) consistently remaining ~1% except for the loans given out in the pandemic. As on March 31, 2024, the company reported GNPA of 0.29%, which increased slightly to 0.50% as of September 30, 2024. CIFCPL maintains provision coverage of 83.2% (March24: 85%) leading to net non-performing assets (NNPA) of 0.1% in H1FY25 (March 24: 0.04%).

The company has a write-off policy where the loans are written-off exceeding 180+ dpd. As on September 30, 2024, write off for CIFCPL was at ~0.36% (March 31, 2024: 0.16%, March 31, 2023: 0.36%). The company's collection efficiency (including overdue collection) stood above 99% for the last one year ended June 30, 2024. The company's majority collections are through physical mode. The company has built a strong risk management framework with detailed assessment of credit risk, geographical concentration, and assessment of operating and political risks in the microfinance sector to maintain good asset quality profile

The company's ability to manage collections and maintain asset quality metrics, while the portfolio scales up remains a key monitorable.

Key weaknesses

Geographically concentrated loan portfolio

Geographical concentration of CIFCPL's operations remain concentrated in Karnataka with 29% of AUM as on September 30, 2024 (28% as on March 2024, 29% as on March 2023). As on September 30, 2024, top three states continue to be Karnataka at 29% (28% as on March 31, 2024), Uttar Pradesh (UP) at 20% (20% as on March 31, 2024) and Bihar 19% (18% as on March 31, 2024). These states have 69% share in the total AUM. However, CARE Ratings anticipates following the merger, the top state's proportion in the overall portfolio will decrease as the merged entity gains a more diversified geographic portfolio.

Business susceptible to event-based risks

The company's business operations are highly susceptible to event-based risks such as socio-political disruptions, regulatory risks, and natural calamities beside risk emanating from unsecured lending and marginal profile of borrowers who are vulnerable to economic downturns. Also, across the MFI sector, there is a rise in delinquencies in H1FY25 owing to rising indebtedness among over-leveraged borrowers, debt-waiver campaigns, continued high attrition rate at field staff level and heat wave effect, a trend if continues raises concerns about borrowers' repayment capabilities. This increase in delinquencies poses risks to the growth trajectory of NBFC-MFIs and their profitability metrics.

Although CARE Ratings believes CIFCPL should be able to withstand such economic shocks based on distress capital support from SMPL, material deterioration in CIFCPL's asset quality and profitability metrics or other economic shocks can put negative pressure on its ratings.

Liquidity: Adequate

As on September 30, 2024, there are no cumulative mismatches in the asset liability maturity (ALM). The company's cash and cash equivalents including liquid investments amounted to ₹243 crore as on September 30, 2024. This is further supported by inflows from advances of ₹3784 crore (excluding interest income) in the next one year against debt repayments of ~₹2706 crore (excluding interest expenses) for the next one year. The company also has undrawn credit lines of ₹1197 crore and financial flexibility to raise capital.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

[Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Microfinance institutions

CIFCPL is a private limited company incorporated under the Companies Act, 1956. The company is registered with the Reserve Bank of India as a Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI) and is engaged in the micro finance business as an NBFC-MFI. The company is held 100% by SMPL. Having started as an NGO in 2007, CIFCPL has an operational track record of almost 16 years. Until 2019, the company was operating as a mid-sized MFI with majority growth having been attained in the last 3-4 fiscals as external investors were on-boarded. After receiving most capital from its previous parent, CIFCPL's AUM had grown at a robust rate. In FY24, the company registered a 37% growth in the AUM with it reaching ₹6,173 crore at the end of FY24 against ₹4,910 crore at the end of FY23.

As on September 30, 2024, CIFCPL has a presence in 13 states and 1006 branches with an AUM of ₹ 6,853 crore and 10179 employees. The company aims to empower women in the rural and semi-urban areas to improve their livelihood. The purpose for the loans given are primarily for income generation like agriculture and allied activities, dairy, poultry, consumption expenses, services and small businesses and purposes for life improvement.

Standalone Financials of CIFCPL

Brief Financials (₹ crore)	31-03-2023	31-03-2024	H1FY25
	A	A	UA
Total income	763.37	1261.98	773.33
PAT	148.35	296.73	160.55
Total assets	4380.65	5807.23	6283.90
Net NPA (%)	0.05	0.04	0.10
ROTA (%)	4.31	5.81	5.31

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Commercial Paper-Commercial Paper (Standalone) (Proposed)	-	-	-	-	200.00	CARE A1+
Fund-based - LT-Term Loan	-	-	-	May - 2028	377.92	CARE AA-; Stable
Fund-based - LT-Term Loan (Proposed)	-	-	-	-	122.08	CARE AA-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Commercial Paper-Commercial Paper (Standalone)	ST	200.00	CARE A1+	-	1)CARE A1+ (18-Mar-24) 2)CARE A1 (RWP) (17-Aug-23)	1)CARE A1 (23-Jan-23)	-
2	Fund-based - LT-Term Loan	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (18-Mar-24)	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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