

Vistaar Financial Services Private Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	300.00	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the debt instrument of Vistaar Financial Services Private Limited (Vistaar) reflects its strong parentage, with Warburg Pincus holding 90.38% stake as on September 30, 2024. The rating also factors in Vistaar's established track record in the Micro, Small & Medium Enterprises (MSME) segment, robust in-house processes, established risk management, and management information systems (MIS) and a comfortable capital position. The rating takes note of the company's expanding scale of operations with assets under management (AUM) increasing by 30% in FY24 to ₹4,054 crore as on March 31, 2024. This growth continued in H1FY25, with AUM rising by 13% to ₹4,575 crore as on September 30, 2024. Benefits of improved scale of operations and a focus on higher-yield, lower-ticket-size loans, the company's profitability improved. The return on total assets (ROTA) improved to 3.84% in FY24 from 3.27% in FY23 and further increased to 4.11% in H1FY25.

However, the rating is constrained by the geographical concentration of its portfolio, moderate asset quality, exposure to the inherently higher-risk MSME segment, and a moderately diversified resource profile, despite improvements in FY24 and H1FY25.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant increase in the scale of operations with sustainable profitability and improvement in asset quality on a sustained basis.
- Significant increase in the net worth base with support in the form of equity infusion.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Material dilution in ownership which results in reduction of Warburg Pincus's stake in Vistaar below 51%.
- Weakening of asset quality parameters with gross non-performing assets (GNPA) of above 4% on a sustained basis.
- Weakening of capital adequacy levels with overall gearing above 3.5x on a sustained basis.

Analytical approach:

Standalone and factoring in support from majority shareholder, Warburg Pincus.

Outlook: Stable

The stable outlook reflects the likely continuation of stable credit profile with comfortable capitalisation levels and good profitability levels and the expectation of continued support from the parent.

Detailed description of key rating drivers:

Key strengths

Track record of operations in MSME segment

Vistaar was promoted by Brahmanand Hegde and Ramakrishna Nisthala in April 2010 and has been operating in the MSME segment since then. The company was backed by strong investors such as Samaa, Elevar, Omdiyar and Westbridge in the past. In Q1FY24, Warbug Pincus LLC acquired 90.59% stake by buying out from existing investors with fresh infusion of ₹300 crore in Vistaar. Post which, the promoters have exited, and Avijit Saha has been appointed as MD and CEO, who has also infused ₹20 crore as equity and holds 0.82% stake in the company as on September 30, 2024. Avijit Saha has over 30 years of experience in retail, rural, digital banking, and SME credit. The board comprises three independent directors and two nominee directors representing Warbug Pincus LLC.

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

Comfortable capitalisation levels supported by equity raise from Warburg Pincus

Post stake sale transaction, Warburg Pincus holds the majority stake of 90.38% in the company as on September 30, 2024. Warburg invested through entity, Aqua Lagoon Investment Limited. Warburg had infused fresh equity of ₹300 crore in May 2023 to support growth requirements. Aided by regular capital infusions, the company has been able to maintain healthy capitalisation levels. Supported by capital raise, the company's CRAR and Tier-I CAR stood at 33.37% and 33.12%, respectively, as on March 31, 2024, against 26.38% and 26.70% as on March 31, 2023, despite the growth in the period. The company's overall gearing stood at 2.19x on March 31, 2024, against 2.85x on March 31, 2023, and this stood comfortable at 2.36x as on September 30, 2024. CARE Ratings expects capitalisation levels to remain comfortable over the medium term.

Improvement in scale of operations

Vistaar commenced operations in 2010 and provides small business mortgage loans or MSME-secured loans. The company operates across three products such as Saral, Vyapar, and Sampatti. Saral is a fully secured MSME product with a ticket size of up to ₹20 lakh. Sampatti is a housing construction product given to MSME customers with a ticket size ranging from ₹3 lakh to ₹1 crore. Vyapaar is a fully secured MSME product of higher ticket size in the range of ₹20 lakh – ₹1 crore. The company has increased its branches from 200 as on March 31, 2023, to 212 as on March 31, 2024, and further to 261 as on September 30, 2024. The company's overall disbursement increased from ₹1,383 crore in FY23 to ₹1,687 crore in FY24. The company's exposure to longer tenure loans (over 7 years) stood at 67% as on September 30, 2024. The share of lower ticket size loans (less than ₹20 lakh) stood at 80% as on September 30, 2024. The company's asset under management (AUM) has grown at a compounded annual growth rate (CAGR) of 25% from FY21 to FY24 and stood at ₹4,054 crore as on March 31, 2024, against ₹2,065 crore as on March 31, 2021. The portfolio witnessed further growth of 13% in H1FY25 and stood at ₹4,575 crore as on September 30, 2024. Saral comprises majority proportion of 54% of AUM with ₹2,460 crore as on September 30, 2024. Vyapaar contributes 22% of the portfolio with ₹1,026 crore of book and Sampatti contributes 24% of the total portfolio with ₹1,089 crore of the book. Going forward, the company expects to increase the Saral and Sampatti portfolios while maintaining their Vyapaar customers.

Adequate internal control and MIS system

Vistaar gives secured MSME loans in the range of ₹3 lakh – 1 crore for a tenure of 10 years. Vistaar's target segment consists of MSME enterprises, where the business is on a cash-and-carry basis, especially in the rural and semiurban areas. The company has a defined credit policy, which is drafted based on the experience and knowledge of the target customer segment gathered in the past. The selection of customers runs through several levels of checks, including sales team, branch manager, credit manager, legal team and risk team visiting the business, residence and collateral premises of the customer for income assessment, LTV assessment, and KYC norms among others. The company also has a strong collection process in place. The company uses third party solutions for all its process such as MIS (Tableau), LOS (Epik Indifi), LMS (Ebix Cash) and Collections (Credit nirvana).

Good profitability levels

The profitability has been on an improving trend with benefits of scale of operations derived by the company. The company has been reporting ROTA of over 3% in FY23, FY24 and H1FY25. In FY24, with increase in yields due to change in product mix and marginal decline in cost of funds, net income margin (NIM) increased to 9.50% from 8.90% in FY23. Opex has remained stable at 5.36% in FY24 against 5.40% in FY23. Consequently, PPOP increased by 45% to ₹225 crore in FY24 from ₹155 crore in FY23. Credit cost stood at 0.77% in FY24 against 0.65% in FY23. Owing to improved NIMs, ROTA improved to 3.84% in FY24 from 3.27% in FY23. In H1FY25, yield on advances improved to 19.22% from 18.07% in FY24 due to change to a favourable product mix. Hence, NIM improved to 10.34% from 9.50% in FY24. Opex (as a percentage of total assets) has reduced from 5.36% in FY24 to 5.14% in H1FY25. The credit cost has increased from 0.77% in FY24 to 1.31% in H1FY25 which was partly also on account of change in provisioning norms. Despite increase in credit costs, improvement in NIM has resulted in an increase in ROTA from 3.84% in FY24 to 4.11% in H1FY25. CARE Ratings expects good profitability to continue in the medium term.

Key weaknesses

Geographical concentration of the portfolio

The company has presence in 12 states. Tamil Nadu is the top state with 75 branches followed by Karnataka (49 branches) and Andhra Pradesh (41 branches) as on September 30, 2024. Tamil Nadu with 29% branches contribute towards 39% of AUM, Karnataka contributes to 23% AUM, and Andhra Pradesh contributes to 16% AUM. South Indian states such as Tamil Nadu, Karnataka, Andhra Pradesh, and Telangana contribute to 82.2% of AUM as on September 30, 2024. CARE Ratings expects the geographical concentration in southern states to continue in the near term.

Modest credit profile of borrower segment – presence in MSME segment

Vistaar is primarily lending towards the un-organised MSME segment in the rural and semi-urban areas and lends loans with ticket size ranging from ₹3 lakhs to ₹1 crore. The borrowers are mostly not serviced by the formal channels of credit due to absence of

proper income documents and are vulnerable to income shocks and economic downturns. However, the management team's knowledge on this target customer segment provides comfort and the risk is mitigated to an extent as AUM is of secured loans which are majorly backed by mortgage of self-occupied residential property. CARE Ratings expects the company to remain focused in this segment, as there is potential to grow its business in this segment.

Moderate asset quality

GNPA and net non-performing assets (NNPA) improved in FY24 and stood at 2.71% and 1.33%, respectively, as on March 31, 2024, against 3.74% and 2.43%, respectively, as on March 31, 2023. Slippage ratio (new additions to NPA/opening loan portfolio) improved to 1.52% in FY24 from 4.09% in FY23. However, it has increased to 3.10% in H1FY25 (Annualized). Despite higher slippages, GNPA has remained stable at 2.71% as on September 30, 2024, and NNPA increased to 1.55%, as on September 30, 2024.

The company's 0+ DPD and 60+ DPD stood at 7.04% and 3.14%, respectively, as on September 30, 2024. The company has a standard restructured book of ₹6.2 crore as on September 30, 2024 (0.13% of portfolio). Gross stressed assets stood (GNPA + standard restructured assets) at 2.85% of gross advances as on September 30, 2024, against 2.88% as on March 31, 2024. The company's ability to control delinquencies and maintain good asset quality will be a key monitorable going forward. Seasoning of the portfolio is limited as the growth is higher in the last three years ended FY24 and the average tenor of the loan portfolio is longer. With strong capital adequacy levels, and good pre-provision operating profit, Vistaar is better placed to absorb relatively higher credit costs.

Moderately diversified resource profile

The company's resource profile improved with the company borrowing through NCDs and ECB. The company's borrowing majorly comprises of bank borrowings. The share of bank borrowings (including TL and CC/WCDL) decreased from 77.5% as on December 31, 2023, to 69.6% as on September 30, 2024. Borrowings from FIs stood at 5.0% as on September 30, 2024 (December 23: 5.4%). The share of NCDs and ECB increased from 0.7% and 4.1%, respectively, as on December 31, 2023, to 9.1% and 14.7%, respectively, as on September 30, 2024. The company also does PTC/securitisation transactions which comprised 1.6% as on September 30, 2024, against 12.3% as on December 31, 2023. Going forward, it is critical for the company to diversify its resources profile as the scale increases.

Liquidity: Adequate

Per asset and liability management (ALM) as on September 30, 2024, Vistaar's liquidity profile remains adequate with no cumulative mismatches in the time buckets up to one year as on September 30, 2024. As on September 30, 2024, Vistaar has cash and cash equivalents and liquid investments of ₹429 crore. In addition, the company also has un-availed lines of credit aggregating to ₹797 crore as on September 30, 2024, and the total debt obligation (principal alone) less than the one-year bucket stood at ₹1,019 crore.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Vistaar (or 'Company') is a Bengaluru-based RBI-registered NBFC. The company commenced operations in April 2010 (founded by Brahmanand Hegde and Ramakrishna Nisthala) with a focus to loan towards MSME in the rural and semi-urban areas. Warburg Pincus acquired the company in May 2023. The company is majorly held by Warburg Pincus a marquee private equity firm and the company is led by the Managing Director and Chief Executive Officer Avijit Saha. The company currently has 261 branches and AUM stood at ₹4,576 crore as on September 30, 2024. As on September 30, 2024, Warburg Pincus held 90.38% of the shareholding followed by erstwhile promoter Brahmanand Hegde holding 1.8%, Avijit Saha holding 0.82%, and the remaining held by other employees as ESOP and under employee welfare trust.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	529.28	684.71	424.05
PAT	100.03	147.10	94.05
Total assets	3,349.28	4,316.26	4,841.07
Net NPA (%)	2.42	1.33	1.55
ROTA (%)	3.27	3.84	4.11

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	Proposed	-	-	-	72.50	CARE A+; Stable
Debentures-Non-convertible debentures	INE016P07237	27-Jun-2024	9.65	27-Dec-2026	50.00	CARE A+; Stable
Debentures-Non-convertible debentures	INE016P07203	26-Mar-2024	9.75	26-Mar-2026	100.00	CARE A+; Stable
Debentures-Non-convertible debentures	INE016P07211	19-Apr-2024	9.65	19-Apr-2027	27.50	CARE A+; Stable
Debentures-Non-convertible debentures	INE016P07229	18-Jun-2024	9.65	18-Jun-2026	50.00	CARE A+; 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	Debentures-Non-convertible debentures	LT	300.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-24)	-	-

LT: Long 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	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details: Not applicable

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.

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