

Vanchinad Finance Private Limited(VFPL)

April 08, 2025

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

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) 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 January 04, 2025, January 14, 2025, and January 24, 2025. Aligned with the extant SEBI guidelines, CARE Ratings has reviewed the rating based on the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

The rating assigned to bank facilities of Vanchinad Finance Private Limited is constrained by Small scale of operations with limited track record in MFI business and concentrated resource profile. Ratings consider the experienced management team and long-standing presence of promoter in lending operations, Adequate loan appraisal and monitoring systems given the size of operations, adequate capitalisation, Improvement in profitability and healthy asset quality.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on February 19, 2024, the following were the rating strengths and weaknesses (updated for the information available from company website (FY24 (refers to 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 ₹209 crore as on March 31, 2024 (₹183 crore as on March 31, 2023). The company's scale of operations is at modest level. VFPL's business is geographically concentrated, operating in two states including Tamil Nadu and Kerala. As on March 31, 2024, Kerala accounted for 87% of the total assets under management (AUM), followed by Tamil Nadu having ~13% of the total AUM.

Concentrated resource profile

VFPL has promoter funding in the form of capital which stood at ₹25.00 crore and net worth stood at ₹42.10 crore as on March 31, 2024. 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, 2024, stood at ₹125 crore against ₹104.38 crore as on March 31, 2023. 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 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 the company's day to day operations are managed by this team which has been associated with the SML group for long time.

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

Adequate loan appraisal and monitoring systems given the size of operations

VFPL is engaged in offering micro finance products under Joint Liability Group (JLG) model and has defined credit appraisal, collection and monitoring systems. The credit appraisal system is centralised where the loan documents and other eligibility documents are prepared at the branch level and recommendations are forwarded to head office (HO). The HO 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 reports such as PAR report, disbursement report, cash, status and audit report among others.

Adequate capitalisation profile

With the internal accruals, VFPL's net worth stood at ₹42 crore as on March 31, 2024, against ₹37 crore as on March 31, 2023. Capital adequacy ratio as on March 31, 2024, stood at 23.73% against 21.43% as on March 31, 2023. Overall gearing increased to 4.03x as on March 31, 2024, against 3.77x as on March 31, 2023.

Improvement in profitability in FY24

In FY24, VFPL reported profit after tax (PAT) of ₹8.80 crore on total income of ₹₹67.52 crore against ₹6.09 crore on a total income of ₹52.69 crore in FY23. Net income margin (NIM) moderated to 13.85% in FY24 from 14.86% in FY23. Opex increased from 10.63% in FY23 to 10.89% in FY24. As a result of higher other income, despite lower NIM, ROTA increased from 3.30% in FY23 to 4.19% in FY24.

Asset quality profile

VFPL have maintained healthy asset quality since inception. Gross non-performing assets (GNPA) and net non-performing assets (NNPA) stood at 0.00% and 0.00%, respectively, as on March 31, 2024, against 0.27% and 0.00%, respectively, as on March 31, 2023.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[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	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 Limited, 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 in FY17. VFPL offers microfinance loans under the Self-help group (SHG) model. VFPL has operations across Kerala and Tamil Nadu, with a network of 61 branches and Loan Portfolio of ₹209 crore as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Standalone		
Total operating income	52.69	62.52
PAT	6.09	8.70
Interest coverage (times)	1.49	1.61
Total Assets	191	224
Net NPA (%)	0.00	0.00
ROTA (%)	3.30	4.19

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

Status of non-cooperation with previous CRA: ACUITE Ratings has conducted the review based on best available information and continues to place the rating of Vanchinad Finance Private Limited under Issuer Not Cooperating category vide its press release dated February 17, 2025. The reason provided by Acuite Ratings is non-submission of information for monitoring of ratings.

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
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 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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (19-Feb-24)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (14-Dec-22)

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

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	Fund-based - LT-Cash Credit	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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Analytical Contacts Vineet Jain Senior Director CARE Ratings Limited Phone: 912267543623 E-mail: vineet.jain@careedge.in Ravi Shankar R Associate Director CARE Ratings Limited Phone: 044-2850 1016 E-mail: ravi.s@careedge.in Kritarth Aneja Analyst CARE Ratings Limited E-mail: Kritarth.Aneja@careedge.in
--	---

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**