APRIL 22, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE ENHANCED BANK FACILITIES OF EQUITAS FINANCE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	600 (enhanced from 450)	**CARE A- (Single A Minus)**	Reaffirmed

Rating Rationale

The rating assigned to the bank facilities of Equitas Finance Private Limited (EFPL) continues to derive strength from the significant experience of the founder and senior management of EFPL in vehicle financing business, strong appraisal norms in lending supported by real time IT systems and collection mechanism, synergies of operations with group companies and comfortable capital adequacy. The rating also considers fresh equity infusion in Q3FY15 and consequent improvement in capital adequacy levels, significant increase in the scale of operations in FY14 (refers to the period April 1 to March 31) and 9MFY15 and diversification of the loan portfolio by entry into new segments.

The ratings are constrained by EFPL's limited track record of operations, low seasoning of portfolio, geographical concentration of the portfolio and exposure to relatively riskier asset class. The ratings also take note of moderation in asset quality during FY14&9MFY15 and competition from existing established players and unorganized segment in vehicle financing business.

During FY14, EFPL has ventured into SME loan and Loan against property (LAP) segments. Share of the same in total loan portfolio was 18.3% and 8.1% as on December 31, 2014. Going forward, maintaining asset quality and profitability both in existing and new business segments, while scaling up of operations are the key rating sensitivities.

Background

Equitas Finance Private Limited (EFPL) is a non-deposit taking systemically important Non- Banking Finance Company. It is part of the Chennai based Equitas Group which has presence in microfinance and housing finance through Equitas Micro Finance Private Limited (EMFPL; rated 'CARE A') and Equitas Housing Finance Private Limited (EHFPL). Equitas Holdings Private Limited (EHPL) is the holding company of the group and EFPL is a wholly owned subsidiary of EHPL.

EFPL commenced vehicle finance business in June 2011 and is primarily into used Commercial Vehicle (CV) financing and lends predominantly to SRTOs (Small Road Transport Operators) and FTUs (First Time Users) who generally own one to three vehicles. During FY14, EFPL has ventured into SME loans and Loan against property.

As on December 31, 2014, the company had Assets Under Management (AUM) of Rs.1,475 crore with Tamil Nadu, Maharashtra and Karnataka account for 67% of the AUM as on December 31, 2014.

During FY14, the company reported PAT of Rs.16 crore on total income of Rs.132 crore. EFPL's capital adequacy ratio stood at 32.78% as of March 31, 2014. Gross NPA and Net NPA stood at 1.64% and 1.45% as of that date. During 9MFY15 (Provisional), the company reported PAT of Rs.19 crore on total income of Rs.205 crore. EFPL's capital adequacy ratio stood at 40.49% as of December 31, 2014.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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