AUGUST 11, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES AND DEBT INSTRUMENTS OF EQUITAS FINANCE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	600	**CARE A- (Single A Minus)**	Reaffirmed
Long term Non-Convertible Debenture issue – Series I	50	**CARE A- (Single A Minus)**	Reaffirmed
Long term Non-Convertible Debenture issue – Series II	58	**CARE A- (Single A Minus)**	Reaffirmed

Rating Rationale

The ratings assigned to the bank facilities and debt instruments of Equitas Finance Pvt Ltd (EFPL) continue to derive strength from the significant experience of the founder and senior management of EFPL in vehicle financing business, established appraisal norms in lending supported by real time IT systems and collection mechanism, synergies of operations with group companies and comfortable capital adequacy levels. The rating also takes note of increase in scale of operations in FY15 (refers to the period April 01 to March 31) and diversification of the loan portfolio through entry into new segments.

The ratings also factor in the EFPL's limited track record of operations, exposure to relatively riskier asset class, geographical concentration of the portfolio and competition from the existing established players and unorganized segment in vehicle financing business. The ratings also take note of moderation in asset quality during FY15 and low seasoning of the portfolio originated in the new segments.

Going forward, ability to improve asset quality and maintain comfortable capital adequacy levels while growing its scale of operations & increasing level of diversification are the key rating sensitivities.

Background

Equitas Finance Pvt Ltd (EFPL) is a non-deposit accepting 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 Pvt Ltd (EMFPL, rated 'CARE A') and Equitas Housing Finance Pvt Ltd (EHFPL). The group was founded by Mr P N Vasudevan in FY07 by venturing into microfinance which was followed by vehicle finance and housing finance in FY12. Equitas Holdings Pvt Ltd (EHPL) is the holding company of the group.

EFPL commenced vehicle finance business in June 2011 and is primarily into used CV financing and lends predominantly to SRTOs (Small Road Transport Operators) and FTUs (First Time Users).

EFPL's operations spread across 132 branches across 11 states and 1 union territory. Tamil Nadu, Maharashtra and Karnataka account for 74% of the Assets Under Management (AUM) as on March 31, 2015.

As on March 2015, the company had AUM of Rs.1,686 crore. This constitutes vehicle finance (VF) of 69%, SME loans of 22% and Loan Against Property (LAP) of 8%.

During FY15, the company reported PAT of Rs.34 crore on total income of Rs.296 crore as against PAT of Rs.16 crore and total income of Rs.132 crore during FY14. EFPL's CAR and Tier I CAR stood at 38.63 % and 36.17% as of March 31, 2015. Gross NPA and Net NPA stood at 2.00% and 1.51% of loan portfolio as of March 31, 2015.

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

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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