

April 20, 2020

## Chaitanya India Fin Credit Private Limited: Ratings upgraded to [ICRA]BBB+/[ICRA]A2+; outlook stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	158.00	158.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB; outlook revised from Positive to Stable
Bank facilities	150.00	150.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB; outlook revised from Positive to Stable
Commercial Paper Programme	10.00	10.00	[ICRA]A2+; upgraded from [ICRA]A2
Market Linked Non-Convertible Debenture Programme	20.00	20.00	PP-MLD[ICRA]BBB+(Stable); upgraded from PP-MLD[ICRA]BBB; outlook revised from Positive to Stable
Subordinated Debt Programme	20.00	20.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB; outlook revised from Positive to Stable
<b>Total</b>	<b>358.00</b>	<b>358.00</b>	

\*Instrument details are provided in Annexure-1; In addition to the above instruments, ICRA also has a rating outstanding on the Pooled Loan Issuance (PLI) programme of Vivriti Capital Private Limited. Refer to this [link](#) for details.

### Rationale

The rating is based on the consolidated profile of Chaitanya Rural Intermediation Development Services Private Limited (CRIDS; parent) and Chaitanya India Fin Credit Private Limited (CIFCPL), henceforth referred to as Chaitanya Group (the Group). CIFCPL is held 100% by CRIDS, which in turn is wholly held by Navi Technologies Private Limited (NAVI; ultimate parent). Mr. Sachin Bansal moved his stake in CRIDS to NAVI during March 2020; Navi currently has a net worth of ~Rs. 3,960 crore and is ~98% held by Mr. Bansal.

The rating action considers the improved risk profile of Chaitanya Group, with NAVI as the ultimate parent, and post further capital infusion of Rs. 300 crore in March 2020 (in addition to the Rs. 600 crore which was infused in October 2019). NAVI has extended the surplus capital that is available presently, as interest free debt (Rs. 2,473 crore in March 2020) to CRIDS, and the same is invested in debt securities (60% is invested in AAA/AA+ rated securities in March 2020); CRIDS therefore manages the treasury and investments activities of the overall Group. The strengthened capital profile and access to liquidity support from NAVI, considering loan collection and funding related concerns presently faced by the sector, provides comfort. The Group has also been able to raise fresh funding at relatively favourable terms in the recent past. ICRA notes the Group's near-term growth would be impacted because of the on-going lockdown and the expected gradual recovery in business sentiments post the removal of the lockdown. The medium-term growth plans of the group, however remain with a targeted managed portfolio of Rs. 3,600 crore by March 2023.

The Group's asset quality, given the lockdown, is vulnerable in the near term. Further, it is expected to venture into and, scale-up lending portfolio in new asset classes, including various consumer and personal loans, two-wheeler loans, business loans (fintech based) etc over the near to medium term. The new asset classes originations would largely be

undertaken at CRIDS level, while CIFCPL, being an NBFC-MFI, would focus on microfinance loans. Microfinance would form a major part of the Group's overall portfolio, in which it has adequate experience; ability to manage the evolving risks pertaining in the new asset segments and, as the group geographically diversifies its operations would be crucial going forward.

ICRA takes note of the improvement in the Group's earnings profile on the back of investment income and, expects the Group's capital profile to remain comfortable (around 3.0-3.5 times; excluding the interest free debt from NAVI) over the medium term. ICRA nevertheless notes that NAVI has various investment plans in the financial services space and some investments are expected to be via the Chaitanya group. Achieving good quality and profitable growth while maintaining a comfortable capital profile, in view of the growth and various diversification plans, remain crucial from a rating perspective.

The stable outlook factors in the comfortable capital and liquidity profile of the group, which would support its medium-term growth plans. Improvement in core business (microfinance and other lending activities) earnings and achieving good quality portfolio growth, however would remain a monitorable.

## Key rating drivers and their description

### Credit strengths

**Strengthened capitalisation profile post equity infusion** – Mr. Bansal acquired majority stake in CRIDS post capital infusion of Rs. 600 crore in October 2019. Mr. Bansal moved his stake in CRIDS to NAVI, with CRIDS becoming a wholly owned subsidiary of NAVI. NAVI's net worth is ~Rs. 3,960 crore as in March 2020 and is ~98% held by Mr. Bansal. NAVI infused an additional Rs. 300 crore equity capital into CRIDS in March 2020 taking the Group's consolidated net-worth to about Rs. 1,000 crore in March 2020 from Rs. 83 crore as in September 2019. ICRA notes that capital at the consolidated level is adequate for meeting the growth requirements in the medium term while keeping the consolidated managed gearing (excluding the interest free debt from NAVI) around 3.0 times. Considering NAVI's own diverse and evolving investment plans in other financial services businesses, and the available capital, the extent and timeliness of the support to the Chaitanya group, over the medium to long term, however remains a monitorable. ICRA notes that, CIFCPL is expected to grow its managed portfolio to reach a level of about Rs. 2,600 crore by March 2023, while CRIDS, during the same period, is expected to grow its book to Rs. 1,000 crore with focus on other consumer and retail asset segments (non-microfinance). NAVI is expected to be further capitalised via fresh infusion of about Rs. 700 crore from other investors.

**Experience in microfinance business** – CIFCPL has been in microfinance business since October 2009 and in lending business via an NGO since 2007. Mr. Anand Rao and Mr. Samit Shetty, the erstwhile promoters have been associated with the company since inception and are actively involved in the day to day business operations as well as strategic decision making and, are expected to continue to do so going forward. CIFCPL has steadily grown from a portfolio of Rs. 32 crore in March 2013 spread across 8 districts in Karnataka to a loan book of Rs. 852 crore in February 2020, spread across 61 districts in 5 states; albeit Maharashtra and Karnataka continue to contribute 60% and 25% respectively to its AUM as in February 2020. CRIDS, on the other hand, focused on non-microfinance loans (largely 2-wheeler and micro home loans) and operated at a modest scale, with a portfolio of ~Rs. 81 crore in February 2020.

**Improvement in consolidated earnings, supported by investment income** –The Group reported net profits of Rs. 7.6 crore for FY2019 and Rs. 40.1 crore (provisional) in 11MFY2020. The net profitability, on a managed asset basis, improved from 1.2% in FY2019 to 2.9% in 11MFY2020 supported by the equity infusion and income from the investments by CRIDS. On a standalone basis, CIFCPL's net profitability remained subdued at 0.8% (provisional) in 11MFY2020 vis-à-vis 1.3% in FY2019. ICRA also expects the core business (microfinance and other lending activities) earnings to be impacted in FY2021 due to nationwide lockdown, affecting business growth and, the expected increase in

the credit cost. Improvement and stability in core business earnings, in view of the steep growth and product diversification would be a monitorable going forward.

## Credit challenges

**Steep growth plans and, evolving business model, as the Group is expected to venture into new asset classes** – The consolidated AUM as on February 29, 2020 stood at ~Rs. 968 crore and the Group is expected to grow to Rs. 3,600 crore by March 2023. With fresh capital in place, the Group is expected to venture into new asset classes, especially at CRIDS levels, by penetrating new geographies (supported by opening of new branches) and new products, performance of the which would be a monitorable. Also, Chaitanya Group's overall position, performance and profile, considering the evolving investment plans of NAVI remains to be observed.

**Microfinance asset quality, given the lockdown, is vulnerable in the near term** – As on February 29, 2020, CIFCPL's 90+dpd stood at 1.1% vis-à-vis 2.3% in March 2019 (1.2% in September 2019). The improvement in the recent past is attributable to the write-off of Rs. 9.0 crore in 11MFY2020. On a consolidated basis the 90+dpd stood at 1.5% as on February 29, 2020. ICRA takes note of the vulnerability of asset quality in the near term given the lockdown due to COVID-19. The company's ability to achieve good collections post removal of lockdown and considering its growth and asset diversification plans going forward is crucial.

**Regionally concentrated operations** - The Group primarily operates in Karnataka and Maharashtra which contributed ~60% and 25% of the portfolio respectively as in February 2020. Further, the top ten districts contributed ~45% of AUM as on February 29, 2020, indicating high geographical concentration risk, though it has improved from 60% as on January 31, 2018. CIFCPL ventured into Maharashtra in FY2016; and over the recent past, has taken initiatives to further diversify its geographical presence and started operations in Bihar, Uttar Pradesh and Jharkhand. However, the portfolio of these states combined is presently low. Going forward as disbursements pick up in these states and penetration increases, share of Maharashtra and Karnataka in the overall portfolio is expected to steadily come down.

**Ability to manage political, communal and other risks in microfinance sector** – The microfinance industry is prone to socio-political and operational risks, which could negatively impact its operations and thus its financial position. Ability to on-board borrowers with good credit history, recruit and retain employees and maintain geographical diversity would be key for managing the envisaged high growth rates. About 91% of the Group's overall lending portfolio of Rs.968.4 crore is in the microfinance business as in February 2020 and the share of microfinance portfolio is expected to remain at about 70-80% of the Group's overall portfolio in the next 2-3 years.

## Liquidity position: Strong

The Group's debt repayments during April 2020 - June 2020 was about Rs. 85.8 crore against which its cash and liquid investments stood at Rs. 167 crore as on March 24, 2020. The Group also had sanctioned undrawn lines from lenders, which supported its liquidity. CRIDS' investments in debt securities stood at around Rs. 3,200 crore, which was funded by the interest free debt (~Rs. 2,732 crore) and equity infusion from NAVI. These investments are liquid with sizeable share of investments in higher rated instruments. CIFCPL has availed funds from close to 23 different banks/FIs and it has Rs. 320 crore of funding pipeline with 8 different lenders.

## Rating sensitivities

**Positive triggers** – ICRA could upgrade the rating if the Group is able to improve its core business earnings while maintaining good asset quality indicators as it grows and diversifies its portfolio and, maintains managed gearing at comfortable levels.

**Negative triggers** – ICRA could downgrade the above said ratings if the Group reports sustained weakening in its earnings or if the asset quality deteriorates in a steady manner or if the managed gearing increases sharply (beyond 4 times).

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Non-Banking Finance Companies</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Consolidated CRIDS and CIFCPL

## About the company

CRIDS was promoted by Mr. Anand Rao and Samit Shetty, who along with their relatives and friends, jointly held 66.6% stake and the rest was held by ShoreCap II Limited which is a fund managed by Equator Capital. In November 2019, Mr. Sachin Bansal (founder and ex-CEO of Flipkart) acquired 93.96% stake in the company by providing exit to ShoreCap II Limited and pumping fresh money into CRIDS. As planned, Mr. Bansal moved his stake in CRIDS to NAVI, with CRIDS becoming a wholly owned subsidiary of NAVI and, NAVI (Provisional net-worth as on December 2019 of Rs. 963 crore) has been further capitalised by ~Rs. 3,000 crore by Mr. Bansal, resulting in a net worth of ~Rs. 3,960 crore as of March 2020. CRIDS on a standalone basis had a portfolio of Rs. 81 crore as on February 29, 2020, with presence in 2-wheeler, housing, digital loans, etc.

CIFCPL is a Microfinance Institution (MFI) which started operations from October 2009. It is 100% held by the parent company, CRIDS. CIFCPL lends to women, primarily in rural areas under the Grameen Bank Group Lending model. CIFCPL offers microfinance loans under joint liability Group model as well as individual loans. CIFCPL operated out of 5 states across 58 districts with 4.21 lakh active borrowers as on February 29, 2020. Post capital infusion in CRIDS, around Rs.147 crore was infused as equity and Rs.114 crore in the form of compulsorily convertible downwards into CIFCPL resulting in a strengthened capitalisation profile.

## Key financial indicators – consolidated

	FY2018	FY2019	11MFY20*
Total Income	84.9	117.4	209.9
Profit after tax	-5.9	7.6	40.1
Net-worth	74.6	81.6	714.8
Total managed portfolio	405.9	625.8	968.4
Total managed assets	462.6	762.3	2,216.9
Return on managed assets	-1.4%	1.2%	2.9%
Return on net-worth	-7.8%	9.7%	11.0%
Managed Gearing (times)	4.5	7.4	2.0

Amounts in Rs. Crore; Source: Company & ICRA Research; \*provisional; All ratios as per ICRA calculations

## Key financial indicators – CIFCPL (standalone)

	FY2018	FY2019	11MFY20*
Total Income	74.9	104.9	146.3
Profit after tax	-8.0	7.2	6.0
Net-worth	49.1	64.2	316.8^
Total managed portfolio	358.4	571.8	851.7
Total managed assets	411.7	699.5	918.7
Return on managed assets	-2.2%	1.3%	0.8%
Return on net-worth	-16.6%	12.8%	3.4%^
Managed Gearing (times)	6.6	9.2	1.7^
Gross NPA (%)	5.4%	2.6%	0.7%
Net NPA (%)	0.6%	0.4%	0.0%

Amounts in Rs. Crore; Source: Company & ICRA Research; \*provisional; All ratios as per ICRA calculations

^CCD included as part of net worth for the computations; excluding CCD, net-worth would stand at Rs. 213.8 crore with a managed gearing of 3.0 times

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instrument	Type	Amount Rated	Amount O/s	Rating (FY2020)				Rating History for the Past 3 Years			
					Rating	FY2020			FY2019			FY2018
					20-Apr-20	17-Mar-20	27-Jan-20	06-Jan-20	05-Nov-18	10-May-18	05-Apr-18	31-Jul-17
1	Non-Convertible Debenture Programme	LT	158.00	158.00	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
2	Commercial Paper	ST	10.00	NA	[ICRA]A2+	[ICRA]A2	[ICRA]A2	[ICRA]A2	-	-	-	-
3	Subordinated Debenture Programme	LT	20.00	20.00	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
4	Fund based bank facilities	LT	150.00	150.00	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
5	Market Linked Debenture	LT	20.00	20.00	PP-MLD [ICRA]BBB+ (Stable)	PP-MLD [ICRA]BBB (Positive)	PP-MLD [ICRA]BBB (Positive)	PP-MLD [ICRA]BBB (Positive)	PP-MLD [ICRA]BBB- (Stable)	PP-MLD [ICRA]BBB- (Stable)	-	-

Amount in Rs. crore

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

## Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated	Current and Outlook	Rating
INE140R07041	Non-convertible Debenture	22-11-2016	13.8%	05-10-2022	21.0	[ICRA]BBB+(Stable)	
INE140R07058	Non-convertible Debenture	29-06-2017	12.4%	29-06-2022	25.0	[ICRA]BBB+(Stable)	
INE140R08023	Non-convertible Debenture	15-02-2016	14.5%	15-04-2022	5.0	[ICRA]BBB+(Stable)	
INE140R07066	Non-convertible Debenture	03-08-2017	12.9%	03-08-2020	33.0	[ICRA]BBB+(Stable)	
INE140R07074	Non-convertible Debenture	06-11-2018	13.1%	06-11-2022	44.0	[ICRA]BBB+(Stable)	
-	Non-convertible Debenture*	-	-	-	30.0	[ICRA]BBB+(Stable)	
INE140R08031	Subordinated Debenture	29-12-2016	14.5%	30-12-2022	15.0	[ICRA]BBB+(Stable)	
INE140R08015	Subordinated Debenture	15-02-2016	17.0%	15-04-2022	5.0	[ICRA]BBB+(Stable)	
INE140R08049	Market Linked Debenture	10-05-2018	Index Linked	06-11-2021	20.0	PP-MLD[ICRA]BBB+(Stable)	
NA	Term Loan-1	27-Nov-17	NA	30-May-20	1.11	[ICRA]BBB+(Stable)	
NA	Term Loan-2	27-Nov-17	NA	26-Aug-20	3.33	[ICRA]BBB+(Stable)	
NA	Term Loan-3	01-Mar-19	NA	28-Feb-21	5.22	[ICRA]BBB+(Stable)	
NA	Term Loan-4	18-Sep-18	NA	30-Nov-20	2.33	[ICRA]BBB+(Stable)	
NA	Term Loan-5	26-Jul-19	NA	30-Sep-21	7.50	[ICRA]BBB+(Stable)	
NA	Term Loan-6	17-Sep-19	NA	17-Dec-21	21.88	[ICRA]BBB+(Stable)	
NA	Term Loan-7	20-Dec-19	NA	03-Jan-22	10.00	[ICRA]BBB+(Stable)	
NA	Term Loan-8	20-Dec-19	NA	03-Jan-22	10.00	[ICRA]BBB+(Stable)	
NA	Term Loan-9	23-Dec-15	NA	30-Jun-22	5.00	[ICRA]BBB+(Stable)	
NA	Term Loan-10	13-Jun-18	NA	01-Jun-22	15.00	[ICRA]BBB+(Stable)	
NA	Term Loan-11	21-Aug-18	NA	01-Oct-21	6.33	[ICRA]BBB+(Stable)	
NA	Term Loan-12	23-Jul-19	NA	08-Aug-21	8.10	[ICRA]BBB+(Stable)	
NA	Term Loan-13	06-Jan-20	NA	30-Jan-22	36.67	[ICRA]BBB+(Stable)	
NA	Term Loan-14	26-Oct-18	NA	30-Nov-21	3.03	[ICRA]BBB+(Stable)	
NA	Cash credit facility	05-Feb-19	NA	NA	1.00	[ICRA]BBB+(Stable)	
NA	Bank facilities - unallocated	NA	NA	NA	13.50	[ICRA]BBB+(Stable)	
NA	Commercial paper	NA	NA	NA	10.0	[ICRA]A2+	

Source: Company; Amounts in Rs. Crore; \*yet to be placed

## Annexure-2: List of entities considered for consolidated analysis

Company Name	Relationship with rated entity	Consolidation Approach
Chaitanya India Fin Credit Private Limited	-	
Chaitanya Rural Intermediation Development Services Private Limited	Parent	Full consolidation

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