

Rating Rationale

Brickwork Ratings assigns “BWR BBB-” for the Existing & Proposed Bank Loan facilities aggregating ₹60.00 Cr of Vedika Credit Capital Ltd

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Existing & Proposed Bank Loan Facilities of Vedika Credit Capital Ltd (Vedika or ‘the company’).

Facility*	Amount (₹ Cr)	Tenure	Rating
Term Loan - Existing (Fund Based)	51.00	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable
Term Loan – Proposed (Fund Based)	9.00		
Total	60.00	INR Sixty Crores Only	

BWR has principally relied upon the audited financial results up to FY15, provisional financial statements for FY16, projected financials up to FY17 of Vedika Credit Capital Ltd (Vedika), publicly available information and information/clarifications provided by the company.

The rating draws strength from the experienced and strong management team, continuous improvement in the operational and financial performance, healthy capital adequacy ratio, good asset quality diversified loan book and robust management information systems. The rating, however, is constrained due to pressure on profitability ratios on account of high cost of borrowings and inherent risks associated with the microfinance sector.

Background:

Vedika Credit Capital Ltd (Vedika) was incorporated in March 1995 at Kolkata and is engaged in microfinance operations since 2007. Vedika was registered as an NBFC-MFI with RBI in June 2015. Previously, the company was engaged in asset financing primarily two-wheeler financing. Vedika’s operations are currently spread over 4 states i.e. Uttar Pradesh, Jharkhand, Bihar and West Bengal.

It has a base of 74346 active borrowers and Asset under Management (AUM) of Rs. 138.81 Crores as on March 31, 2016, managed through a network of 55 branches. The company is engaged into Individual Lending as well as lending through Joint Liability Group (JLG) model.

Ownership & Management:

The equity shares of Vedika are held by - Mr. Gautam Jain (22.20%), Mr. Vikram Jain (14.90%), Mrs. Kanta Devi Jain (11.55%), Mr. Ummedmal Jain (10.82%) & Others (40.53%). The company has also received preference shares from SIDBI (17.20%) and Promoters (82.80%).

Board of Directors comprise Mr. Gautam Jain, Mr. Vikram Jain, Mr. Ummedmal Jain, Mr. Pravin Kumar Chaturvedi & Mr. Vinod Kumar Gupta. All the directors are experienced and are also supported by a team of qualified professionals managing different aspects of the business.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Highlights:

Vedika reported Total Interest Income of Rs. 15.57 Crs and Net Interest Income of Rs. 5.86 Crs for FY15. On a provisional basis, the company has reported an Interest Income of 23.41 Crs for FY16. Total AUM increased from Rs. 82.86 Crs as on March 31, 2015 to Rs. 138.81 Crs as on March 31, 2016. Vedika has consistently maintained its GNPA% below 0.50% and NNPA below 0.10% over the past three years.

Vedika also has a healthy capital structure with a Networth of Rs. 26.97 Crs and CRAR of 20.26% as on March 31, 2016.

Rating Outlook:

The outlook is expected to be stable over the next one year. Going forward, the ability of the company to increase its AUM while maintaining asset quality, improve profitability and further strengthen its capital structure by way of equity infusion as committed shall remain key rating monitorables.

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