Press Release

Vedika Credit Capital Limited

Revised Press Release

March 06, 2025

The revised press release is provided in relation to the Press Release published dated December 22, 2023. The revised press release mentions rating criteria regarding Policy of Default Recognition and Complexity Level of Rated Instruments/Facilities.

Link to the press release dated December 22, 2023, published on Infomerics' website: https://www.infomerics.com/admin/uploads/re-VedikaCredit-22dec23.pdf

This is with reference to the Press Release dated October 05, 2023. The revised PR stands as follows:

The revised press release added the financial and non-financial covenants of the proposed Non-Convertible Debentures rated earlier.

Link to the press release dated October 05, 2023, published on Infomerics' website: https://www.infomerics.com/admin/uploads/re-VedikaCredit-5oct23.pdf

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Fund Based Facilities – Term Loan	1100.00 (Enhanced from Rs.800.00 crore and including proposed limit of Rs.598.01 crore)	IVR A-; Stable (IVR Single A Minus with Stable Outlook)	Reaffirmed	Simple
Non-Convertible Debentures	22.90	IVR A-; Stable (IVR Single A Minus with Stable Outlook)	Assigned	Simple
Non-Convertible Debentures (Proposed)	52.10	IVR A-; Stable (IVR Single A Minus with Stable Outlook)	Assigned	Simple
Issuer Rating	NA	-	Withdrawn	-
Total	**1175.00**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities and assignment of rating to Non-Convertible Debentures of Vedika Credit Capital Limited (VCCL) derives comfort from its long presence in the microfinance segment under an experienced and professional management team with adequate systems and processes, its comfortable capital adequacy ratio coupled with capital infusion by the promoters at regular intervals coupled with its diversified geographical presence. Further, the ratings also positively note the growth in VCCL's operation in FY2023 coupled with its stable asset quality as evident from decreasing NPA levels and improvement in collection efficiency. These rating strengths are partially offset by monoline nature of its operations, relatively risky target segment and exposure to regulatory & socio-political risks inherent in the industry. Further, the rating also take note of the rise in exposure in SME loans and its leveraged capital structure, albeit improvement in overall gearing as on March 31, 2023.

Infomerics has withdrawn the Issuer Rating assigned to VCCL with immediate effect at the request of the company. The rating is withdrawn in accordance with Infomerics' policy on withdrawal.

Key Rating Sensitivities

Upward Factors:

- Improvement in scale of operations and asset under management with increase in geographical reach
- Diversification in resource profile with decline in average cost of borrowings and improvement in the capital structure
- Ability of the company to raise equity and debt capital in a timely manner to maintain a prudent capitalisation profile
- Improvement in profitability by maintaining the credit costs and operating overheads on a sustainable basis, as the operations expand.

Downward Factors:

- Moderation in scale of operations with sharp decline in asset under management and moderation in profitability
- Moderation in the capital structure with deterioration in Capital adequacy ratio (CAR) to below 20%
- Weakening of the profitability profile on account of higher operating overheads and higher credit costs, leading to a decline in ROTA to less than 1.5% may pressurise the company's rating.
- Deterioration in the asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and professional management team with adequate systems and processes**
  The promoters have been engaged into the microfinance business since 2007. Presently, VCCL is managed by a seven-directors governing body headed by Mr. Ummed Mal Jain (Chairman) and his son Mr. Gautam Jain (Managing Director) who are having about three decades of experience in the financing and MFI sector. Besides, all the governing body members are well versed with the intricacies of the business operation of microfinance and NBFC. VCCL has installed good tracking and MIS systems, which are adequate to support future growth expansion. Further, the company has installed monitoring systems to ensure credit bureau checks and loan utilisation checks being conducted in all cases. Further, VCCL has invested significantly in technology to ensure the real-time availability of data collection, e-verification of customer details and cashless disbursements. Internal audits are conducted regularly, and the scope and coverage are in line with industry practices.
- **Long presence in the microfinance segment**
  The company has an established presence in the MFI segment with its long track record of operations of more than a decade in the sector. The company benefits from its established presence in the sphere of social development which enables association with various organisations and mobilisation of resources. On the back of its established and long presence, the company has managed to receive equity support from SIDBI (Small Industries Development Bank of India) amounting to INR 1.00 Crore.
- **Comfortable capital adequacy ratio coupled with capital infusion by promoters**
  VCCL has maintained a healthy capital adequacy ratio (CAR) over the years. CAR was comfortable at ~23% and ~22% respectively as on March 31, 2023, and June 30, 2023. During FY23, the promoters have infused fresh equity aggregating to Rs. 35.12 crore. Moreover, the management has undertaken to infuse funds to the tune of Rs.25-30 crore during Q4FY2024.
- **Growth in operation in FY23**
  Total income of the company witnessed a year-on-year growth of ~48% from Rs.112.86 crore in FY2022 to Rs.166.60 crore in FY2023 driven by significant increase in disbursements resulting in increase in own as well as Business correspondence (BC) portfolio. The increase in disbursements in FY2023 is attributable to increase in demand for loans, addition of new banks under BC model, increase in number of borrowers and average ticket size of loans disbursed. Also, the increase in average lending rate by the company from 21.65% to 25% from June 2022 onwards added to the increase in total income in FY2023. Total Asset Under

Management (AUM) improved from Rs.745.72 crore as on March 31,2022 to Rs.1097.12 crore as on March 31, 2023. Though NIM improved from 9.30% in FY2022 to 10.43% in FY2023, ROTA decreased from 3.92% in FY2022 to 2.03% in FY2023 due to decrease in overall PAT in FY2023. In Q1FY24, the company has achieved a revenue of ~Rs.52.31 crore as against a revenue of Rs.34.60 crore in Q1FY2023. The company has further increased its average lending rate to 27% from April 2023 onwards which added to the increase in total income during Q1FY2024. As on June 30,2023 total AUM of the company including BC portfolio stood at Rs.1164.59 crore.

Going forward, profitability would depend on VCCL's ability to maintain the credit costs at reasonable levels and overall ability of the company to maintain good profitability indicators over cycles and diversify its earnings by venturing into other products/asset classes.

- **Diversified geographical presence**

  VCCL is now working with 192 branches spread over 94 districts in Seven states like West Bengal, Assam, Bihar, Jharkhand, Odisha, Tripura and Uttar Pradesh, where they are providing services to more than 3,00,000 clients. Covering of wide number of states provides advantage of diversified geographical presence. However, West Bengal is the highest exposure state for the company over the years. West Bengal caters to the major portfolio of the company with ~34% share as on June 30,2023 (~33% as on March 31,2023).

- **Stable asset quality**

  VCCL has managed to keep its collection efficiency above ~98% in the last one year ending in July 2023. VCCL though remain exposed to risks associated with the MFI business, has been able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. The GNPA remained low at 0.89% as on March 31, 2023 (2.01% as on March 31, 2022), while NNPA was nil as on March 31, 2023. The portfolio at risk greater than 30 days (PAR>30 days), has improved and remained at ~3% (~5% as on March 31, 2022) on March 31, 2023. The company's ability to sustain the asset quality in the new originations and maintain field discipline will be important from a credit perspective.

Key Rating Weakness:

- **Monoline nature of operations; relatively risky target segment and regulatory & socio-political risks inherent in the industry**

  VCCL's product diversification remains low being concentrated only in the microfinance segment. Unsecured lending to the marginal borrower profile, and the political and operational risks associated with microlending may lead to high volatility in the asset quality indicators.

The microfinance industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position. Further, unsecured lending to the marginal borrower profile and the political & operational risks associated with microfinance lending may result in high volatility in the asset quality indicators. The company's ability to on-board borrowers with good credit history, recruit and retain employees under a competitive operating environment and maintain geographical diversity would be key for managing future growth.

- **Rise in exposure in SME loans**

  The company has gradually increased its exposure to SME loans to individuals (from ~9.34% in FY21 to ~34% in FY23) which is relatively risky than normal micro finance loans. Higher exposure to riskier asset class may dampen the asset quality going forward. However, the company is cautiously managing the portfolio to reduce the delinquency risk in the SME loan segment.

- **Leveraged capital structure; albeit improvement in overall gearing as on March 31, 2023**

  The capital structure of the company though improved with overall gearing of 4.71x as on March 31, 2023, as against 6.20x as on March 31, 2022, yet remain leveraged owing to high amount of borrowings from banks and FIs to increase the lending operation. Leveraged capital structure impacts the financial flexibility of the company to an extent. In a relatively steady operating environment, the company has demonstrated significant fundraising ability from various banks and financial institutions. Also, the promoters have continuously supported the operations by infusing equity from time to time (Rs.35.12 crore in FY2023, Rs. Nil in FY2022 and Rs.26.94 crore in FY2021).

- **Competitive nature of industry**

  VCCL is exposed to stiff competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket sizes is highly fragmented with unorganized lenders also vying for the same set of borrowers.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Criteria for rating outlook

Policy on Withdrawal of ratings

[Policy of Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

The liquidity of the company seems adequate backed by its cash and liquid balances of Rs.84.79 crore as on March 31, 2023 (including Undrawn Bank Limits and security against borrowing up to 12 months maturity), the same was at Rs.86.79 crore as on June 30, 2023. The company reported average collection efficiency of more than ~98% for the last twelve months ended July 2023 which supports its liquidity profile. Infomerics expects VCCL to be able to meet its debt obligations in a timely manner assuming its collection efficiency does not drop below the current levels. Moreover, the advances comprise relatively shorter-tenure microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile of the company also remains adequate. Additionally, the company had around Rs.50 crore of sanctioned but unutilised lines as on September 16, 2023. Going forward, the company's ability to improve the collection efficiency and raise fresh funds in a timely manner will be important from a liquidity perspective.

About the Company

Vedika Credit Capital Limited (VCCL) is a Ranchi based Non-Banking Financial Company – Microfinance Institution (NBFC-MFI) registered under Reserve Bank of India (RBI). VCCL is now working with 192 branches spread over 94 districts in seven states namely West Bengal, Assam, Bihar, Jharkhand, Odisha, Tripura and Uttar Pradesh, where they are providing services to more than 3,00,000 clients. Beside direct lending, the company also entered into a partnership to work as a Business Correspondence (BC) with various banks and financial institutions wherein VCCL manages the entire micro finance operation for designated areas on behalf of banks/FI's for a certain fee income. As on March 31, 2023, VCCL is managing a total loan portfolio (AUM) of Rs.1097.12 crore (including managed portfolio under Business correspondence model from various FIs aggregating to Rs.325.47 crore.). Furthermore, AUM has increased to Rs.1164.59 crore (where BC proportion was of Rs.365.75 crore) as on June 30, 2023.

Financials: Standalone

(Rs. crore)

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	112.86	166.60
PAT	23.25	17.01
Tangible Net worth	103.55	156.23

For the year ended* / As on	31-03-2022	31-03-2023
Total Asset	756.23	916.64
Ratios		
ROTA (%)	3.92	2.03
Interest Coverage (times)	1.49	1.28
Total CAR (%)	20.05	22.56
Gross NPA (%)	2.01	0.89
Net NPA (%)	0.00	0.00

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	1100.00 (Enhanced from Rs.800.00 crore and including proposed limit of Rs.598.01 crore)	IVR A-/Stable	IVR A-/Stable (March 31, 2023)	-	-
2.	Non-Convertible Debentures	Long Term	22.90	IVR A-/Stable	-	-	-
3.	Non-Convertible Debentures (Proposed)	Long Term	52.10	IVR A-/Stable	-	-	-
4.	Issuer Rating	Issuer	NA	Withdrawn	IVR A-[Is]/Stable (September 27, 2022)	-	-

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Gupta Tel: (033) 46022266 Email: hdidwania@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
LT FB Limits – Term Loan	-	-	23-09-2026	26.00	IVR A-/Stable
LT FB Limits – Term Loan	-	-	11-03-2026	22.75	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-09-2024	6.40	IVR A-/Stable
LT FB Limits – Term Loan	-	-	03-05-2026	49.50	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-02-2024	3.55	IVR A-/Stable
LT FB Limits – Term Loan	-	-	16-08-2025	9.65	IVR A-/Stable
LT FB Limits – Term Loan	-	-	20-04-2024	3.12	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-09-2025	7.57	IVR A-/Stable
LT FB Limits – Term Loan	-	-	18-10-2023	5.45	IVR A-/Stable
LT FB Limits – Term Loan	-	-	15-03-2024	1.11	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-09-2024	5.84	IVR A-/Stable

LT FB Limits – Term Loan	-	-	24-02-2024	2.52	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-09-2024	8.89	IVR A-/Stable
LT FB Limits – Term Loan	-	-	31-08-2025	7.78	IVR A-/Stable
LT FB Limits – Term Loan	-	-	08-06-2024	20.07	IVR A-/Stable
LT FB Limits – Term Loan	-	-	15-12-2024	36.90	IVR A-/Stable
LT FB Limits – Term Loan	-	-	15-08-2025	72.99	IVR A-/Stable
LT FB Limits – Term Loan	-	-	04-06-2026	10.83	IVR A-/Stable
LT FB Limits – Term Loan	-	-	27-02-2027	19.30	IVR A-/Stable
LT FB Limits – Term Loan	-	-	13-10-2024	4.17	IVR A-/Stable
LT FB Limits – Term Loan	-	-	28-02-2025	3.85	IVR A-/Stable
LT FB Limits – Term Loan	-	-	15-09-2025	21.67	IVR A-/Stable
LT FB Limits – Term Loan	-	-	05-09-2024	7.90	IVR A-/Stable
LT FB Limits – Term Loan	-	-	19-08-2024	16.79	IVR A-/Stable
LT FB Limits – Term Loan	-	-	20-03-2025	19.22	IVR A-/Stable
LT FB Limits – Term Loan	-	-	14-09-2024	6.78	IVR A-/Stable
LT FB Limits – Term Loan	-	-	24-08-2024	8.26	IVR A-/Stable
LT FB Limits – Term Loan	-	-	06-10-2024	11.02	IVR A-/Stable
LT FB Limits – Term Loan	-	-	01-11-2024	10.00	IVR A-/Stable
LT FB Limits – Term Loan	-	-	17-12-2024	7.50	IVR A-/Stable
LT FB Limits – Term Loan	-	-	16-09-2024	8.44	IVR A-/Stable
LT FB Limits – Term Loan	-	-	05-10-2025	15.76	IVR A-/Stable
LT FB Limits – Term Loan	-	-	18-05-2025	11.67	IVR A-/Stable
LT FB Limits – Term Loan	-	-	21-11-2025	16.74	IVR A-/Stable
LT FB Limits – Term Loan	-	-	03-08-2026	12.00	IVR A-/Stable
LT FB Limits – Term Loan (proposed)	-	-	-	598.01	IVR A-/Stable
Non-Convertible Debentures (ISIN: INE04HY07021)	-	-	08-12-2025	22.90	IVR A-/Stable
Non-Convertible Debentures (proposed)	-	-	-	52.10	IVR A-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-VCCL-oct23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
Non-Convertible Debentures (ISIN: INE04HY07021)	**Financial Covenant**	Financial ratio covenants to be maintained by the Borrower, including, *inter alia*: a) ratio of Total Liabilities to Total Equity not to exceed 6x. b) Capital Adequacy Ratio to exceed 20% c) Return on Assets to exceed 1% d) Portfolio at Risk greater than 30 days (PAR>30) plus Restructured Loans does exceed 5%

		e) Write-off Ratio does not exceed 2.0% until March 2022 and 1.5% thereafter
	Non-Financial Covenant	i) The Borrower's payment obligations under the Transaction Documents rank and will at all times rank, in priority to all its other Indebtedness, other than Indebtedness either preferred by operation of law in the event of its winding up or benefiting from Permitted Security. ii) The Borrower shall remit the repayment proceeds into a bank account at the Lender's discretion.
Non-Convertible Debentures (Proposed)	**Financial Covenant**	i) The Capital Adequacy Ratio shall be always compliant with minimum levels stipulated by the regulator ("RBI") at all points in time. ii) The TOL/TNW shall not be more than 10 times. iii) The Gross NPA shall be less than 4.5% iv) The Net NPA shall be less than 2.5% (All covenants would be tested on quarterly basis for the Company, i.e. as on 31st March, 30th June, 30th September and 31st December every year, on consolidated and standalone balance sheet till the redemption of the Debentures.)
	Non-Financial Covenant	The Issuer shall not without the prior written permission of the Debenture Holder and Debenture Trustee, do or undertake to do any of the following: a) Formulate any scheme of amalgamation or reconstitution. b) Undertake guarantee obligations on behalf of any other Company / Firm etc., except in the ordinary course of business and for its subsidiaries if any. c) Declare dividends for any year out of profits relating to the year if any of the financial commitments to Debenture Holder have not been duly met. d) Withdraw funds from the business out of the profits relating to the year if any of the financial commitments to Debenture holder have not been duly met. e) Sell, assign, mortgage or otherwise dispose off any of the assets charged to Debenture Holder so as the security cover does not fall below 1.25x f) Change in promoter, ownership or control more than 10%. The Issuer shall not amend or modify clauses in its Memorandum of Association and Article of Association, where such amendment would have a Material Adverse Effect as defined

		earlier, without prior consent of the Debenture Trustee. h) Any sale of assets/business/division that has the effect of exiting the business or re-structuring of the existing business, to be with the prior consent of the debenture holder. i) Acquisition or event of the Business Restructuring of the issuer including but not limited to any scheme of merger demerger amalgamation slump sale of assets arrangement with creditors or lenders compromise or. j) Undertake any new major new business outside financial services or any diversification of its business outside financial services without approval of NCD holders.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.