



Rating Rationale

Vedika Credit Capital Ltd

September 4, 2017

Brickwork Ratings revises rating for the Bank Loan Facilities amounting to Rs. 120.00 Crs of Vedika Credit Capital Ltd.

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	60.00	120.00	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable <i>(Upgraded)</i>
Total	60.00	120.00	INR 120.00 Crores (INR One Hundred Twenty Crores Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, projected financial statements up to FY19, publicly available information and information/clarifications provided by the company.

The rating upgrade takes into account the improvement in company's operational and financial performance. The rating continues to draw comfort from the experience of promoters, healthy capital adequacy ratio, increased earnings quality & profitability, diversified loan book and robust management information systems in place. The rating, however, is constrained on account of small deterioration in the asset quality indicators during FY17 and increasing amount of debt which will result into higher short term debt obligations.

Going forward the ability of the company to further increase its AUM (assets under management) while maintaining asset quality and maintain the growth in income & profitability shall remain key rating sensitivities.

Key Rating Drivers:

Improved Operational Performance: Operational performance of the company showed significant improvement. Number of active borrowers increased from 74346 as on March 31, 2016 to 119147 as on March 31, 2017 and further increased to 138421 as on June 30, 2017. The company has also increased its work force with the number of credit officers going up from 242 as on March 31, 2016 to 373 as on June 30, 2017. Borrowers/Credit Officers also increased from 307 as on March 31, 2016 to 371 as on June 30, 2017. Operational Self-Sufficiency of Vedika also



reported improvement from 108% in FY16 to 110% in FY17 reflecting better coverage of expenses from operating revenue.

Increased Revenue & Profitability: The Interest Income of the company increased substantially by 62% from Rs. 29.99 Crs in FY16 to Rs. 48.53 Crs for FY17. Net Interest Income of the company also almost doubled from Rs. 11.50 Crs for FY16 to Rs. 21.84 Crs for FY17. Net Profit increased by 150% in FY17.

Healthy CRAR: Vedika has maintained its CRAR at above 20% over the past three years. It reported a CRAR of 22.37% as on March 31, 2017 which increased to 25.12% as on June 30, 2017. The promoters infused fresh equity amounting to Rs. 4.40 Crs and were also able to raise additional Rs. 2 Crs as preference shares from SIDBI. Further, the company has also raised tier II capital amounting to Rs. 30 Crs from Capital First Ltd (Rs. 20 Crs) and MAS Financial Services Ltd (Rs. 10 Crs) during FY18.

Deterioration in Asset Quality: The Company has been consistent in maintaining its asset quality. It has maintained GNPA% below 0.50% and NNPA% below 0.10% in the past. However during FY17, GNPA increased to 0.61% and NNPA increased to 0.27% in FY17 primarily on account of demonetization. The management has informed that the situation has since improved. The overall collection efficiency for FY17 was 99.37%.

Analytical Approach: Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Vedika Credit Capital Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company shows considerable improvement in AUM without any deterioration in asset quality and capital structure. The rating outlook may be revised to 'Negative' if the asset quality and capital structure deteriorates with lower than expected growth in AUM.

About the Company:

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 5 states i.e. Uttar Pradesh, Jharkhand, Bihar, West Bengal and Assam.

It has a base of 138421 active borrowers and own portfolio of Rs. 230.65 Crores as on June 30, 2017, managed through a network of 68 branches. The company is engaged into Individual Lending as well as lending through Joint Liability Group (JLG) model.



Vedika is promoted by Mr. Ummed Mal Jain and his sons – Mr. Gautam Jain & Mr. Vikram Jain. The promoters are highly experienced and have also hired qualified professionals to manage the business.

Company's Financial Performance:

During FY17, the company has issued fresh shares amounting to Rs. 1.76 Crs at a premium of Rs. 2.64 Crs. The company has also received additional preference shares from SIDBI (Rs. 2 Crs). The revenue generation and profitability has improved significantly in FY17 on account of growth in the outstanding portfolio.

Key Financial Figures			
Particulars	Unit	FY16 (A)	FY17 (A)
Own Portfolio O/S	Rs. Crores	138.81	211.60
Gross NPA	%	0.43	0.61
Net NPA	%	0.04	0.27
Net Interest Income	Rs. Crores	11.50	21.84
PAT	Rs. Crores	1.35	3.42
Net Interest Margin	%	8.28%	10.32%
Tangible Net Worth [#]	Rs. Crores	26.80	35.80
CRAR	%	20.26%	22.37%

Tangible Net Worth excludes tier II capital.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Aug 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	July 2016	2015	2014
1.	Term Loan	Long Term	120.00	BWR BBB	BWR BBB-	NA	NA
Total			120.00	INR One Hundred Twenty Crores Only			

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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