



RATING RATIONALE

7 June 2022

Vedika Credit Capital Ltd

Brickwork Ratings reaffirms/ assigns the rating of Bank loan facilities amounting to Rs 650 Crs (enhanced from Rs.400 Crs) of Vedika Credit Capital Ltd.

Particulars:

| Facilities | Amount Rated (Rs. Crs.) | | Tenure | Rating* | |
|---|----------------------------|--------------------|--------------|---|---|
| | Previous | Present | | Previous (05 Mar 2021) | Present |
| Fund based Bank Loans: Term Loans Term Loans (Proposed) | 181.46 218.54 | 541.65 - | Long Term | BWR BBB/Stable (Assigned) | BWR BBB/ Stable (Reaffirmed) |
| Fund based Bank Loans: Term Loans (Proposed) | - | 108.35 | Long Term | - | BWR BBB/Stable (Assigned) |
| Total | 400.00 | 650.00 | | Rupees Six Hundred Fifty Crores only | |

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

** Details of Bank facilities provided in Annexures- I

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) reaffirms/ assigns the rating of BWR BBB/Stable for the Bank loan facilities amounting to Rs. 650 Crs (enhanced from Rs. 400 Crs) of Vedika Credit Capital Limited (VCCL) as tabulated above.

The rating continues to factor in growth in Asset under Management (Owned and managed), experienced promoters, improvement in asset quality coupled with healthy provision, capital infusion by the promoters, improvement in the resource profile, adequate liquidity profile.

BWR believes VCCL's credit 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, however, is constrained by the modest scale of operations, moderate capitalization coupled with high Gearing.

Going forward, the company's ability to increase the portfolio while maintaining the asset quality will be a key monitorables.

KEY RATING DRIVERS

Credit Strengths:-

Experienced & Professional Management

The company is promoted by Mr. Ummed Mal Jain, Mr Gautam Jain and Mr. Vikram Jain who has been associated with the microfinance lending sectors for almost three decades. The promoters are qualified and have over three decades of entrepreneurial experience. The management of VCCL has a prudent lending approach that has supported growth in the company's portfolio. The promoters and management team of VCCL are proficient in the financial services space and seasoned through various business cycles.

Growth in Loan book coupled with improvement in asset quality

Total Asset under Management had increased to Rs 748 Crs as on 31 March 2022 as against Rs 512 Crs as on 31 March 2021 i.e. registering a Y-o-Y growth of 45%. Owned portfolio improved by 70% to Rs 581 Crs as on 31 March 2022 as against Rs 341 Crs as on 31 March 2021. Total disbursements have also increased from Rs 175 Crs in FY 2020-21 to Rs 449 Cr in FY 2021-22. As on 31 March 2022, Loans to Joint Liability Group constituted 76% of total AUM and 97% of the managed portfolio.

GNPA level had reduced in both Owned and total portfolio to 2.01% & 2.22% respectively as on 31 March 2022 as against 2.21% & 2.63% respectively as on 31 March 2021.

The Company had made provisions for the entire GNPA portfolio and hence there is nil NPA. GNPA had reduced substantially in the joint liability group (JLG) segment from 2.83% as on 31 March 2021 to 1.37% as on 31 March 2022. As on 31 March 2022, 76% of the portfolio has 1.37% of NPA and remaining 24% has 0.64% of NPA, 92% of the portfolio was with nil overdues, Majority of the NPA i.e. Rs 6.70 Crs was from the ticket size Rs 30,000- Rs50,000 bucket, led by exposures from states of West Bengal followed by Assam and Bihar.

The company takes off book exposure through the business correspondent model for entities from various financial institutions and banks. It has also entered into Co-lending arrangements with major public sector banks to support its funding requirement. Going forward, the AUM growth is expected mainly from the managed portfolio through co-lending arrangements and assists in diversifying its risk.

Improvement in financial performance and profitability metrics.

Company's net profit increased to Rs 19.16 Crs for FY22 as against Rs 6.42 Crs as on 31 March 2021 on account of increase in total income from operations and reversal of excess provision of Rs 15 Crs in FY22. ROE improved to 4.90% for FY22 as against 2.28% in view of increase in net worth from Rs 87 Crs to Rs 105 Crs and substantial improvement in PAT. The aggregate provision on standard assets of ~Rs 20 Crs and gross Non performing assets of ~Rs 7.54 Crs stood at Rs 27.53 Crs as on 31 March 2021. Since the adequate provision was available for the loan portfolio as per the Company's provision policy, the Company reversed excess provision in FY22 amounting to Rs 15.00 Crs as on 31 March 2022.



Continued support from the Promoters coupled with funds raising ability.

During FY21, the Company had converted 68,15,000 Compulsorily Convertible Preference Shares of Rs 6.81 Crs into Equity Shares and also issued 237,375 Of fresh equity shares at a premium of Rs 30 per share. Total fresh equity infused during FY21 was Rs.30 Crs. The Company had raised Rs 305 Crs of funds from various Banks/FI in FY22. The Company had issued Non Convertible Debentures of Rs 20 Crs in August 2020 and was subscribed by PSU Bank with tenor of 3 years. Company's borrowing profile comprises majority of term loans from Banks 65.58% followed by term loans from FIs/NBFC.

The ability of the company to raise capital, to maintain its capital adequacy & Gearing levels will be monitorable.

Credit Risks-:

High Leverage ratio:

During FY 2020-21, the Company had converted 68,15,000 Compulsorily Convertible Preference Shares of Rs 6.81 Crs into Equity Shares and also issued 237,375 Of fresh equity shares at a premium of Rs 30 per share. Total fresh Equity infused during FY 2020-21 was 30 Cr.. With the improvement in TNW, the Gearing had improved drastically from 8.22x as on 31 March 2020 to 3.91x as on 31 March 2021. In Spite of improvement in TNW, the gearing was at 6.04x as on 31 March 2022 on account of increase in the borrowings by 88%. The Promoters have already infused Rs 4.50 Cr. in Current FY upto 31 st May 2022 in the form of equity shares. Going forward, the Company's ability to increase the borrowing profile while bringing in proportionate additional Capital and maintaining low gearing will be a key monitorables.

Inherently modest credit profile of borrowers and risk from local socio-political issues in microfinance sector:

A significant portion of the portfolio consists of microfinance loans to clients with below-average credit risk profiles and a lack of access to formal credit. Pressure on households' cash flow due to unforeseen circumstances may affect the repayment capability of these borrowers. However, this risk is partially offset by the use of the grameen model for lending. In the recent past, the microfinance sector witnessed high levels of delinquencies post-demonetisation and subsequent socio-political events. This indicates the fragility of the business model, vis-a-vis external risks. Since the business involves lending to the poor and downtrodden sections of the society, MFIs will remain exposed to socially sensitive factors, including charging high interest rates and consequently, to tighter regulations and legislation.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Vedika Credit Capital Limited. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The ability of the company to scale up its portfolio while improving its asset quality, profitability metrics, maintaining comfortable capitalization and adequate liquidity are key rating sensitivities.

Positive: Portfolio growth backed by stable asset quality, improvement in profitability, healthy capitalisation and gearing are key rating drivers.

Negative: Deterioration in profitability and asset quality will be the key rating sensitivities.

LIQUIDITY POSITION: ADEQUATE

As on 31 March 2022, the Company had cash and bank balance of Rs. 49 Crs, fixed deposits of Rs 11 Crs and unutilised credit lines of Rs 5 Crs. As per the asset liability management statement (ALM) as on 31 March 2022, the cumulative mismatch across all the time buckets of the loan portfolio was positive for the company, indicating an adequate liquidity position. The company has total debt repayments of Rs 163 Crs from April 2022 to Sept 2022 against which it has scheduled collections of Rs 150 Crs. The liquidity seems adequate to meet its repayment obligations over the near term.

COMPANY PROFILE

Vedika Credit Capital Ltd ('VCCL' or 'the company') was incorporated in 1995. VCCL was registered as an NBFC with RBI in 1998 and the company was registered as an NBFC - MFI with RBI in June 2015. Currently headquartered at Ranchi, Jharkhand, the company's portfolio covers 7 states - Uttar Pradesh, Jharkhand, Bihar, West Bengal, Odisha, Tripura and Assam with 192 total branches. The company provides finance through Joint Liability Group (JLG) loans, Individual loans & Consumer Durables loans to women micro entrepreneurs in semi urban and rural areas.. The company is promoted by Mr Ummed Mal Jain, Mr Gautam Jain and Mr Vikram Jain.

KEY FINANCIAL INDICATORS

| Key Parameters | Units | FY20 | FY21 |
|-----------------------------|-------------|---------|---------|
| Result Type | | Audited | Audited |
| Total portfolio | Rs. in Crs. | 615.42 | 512.41 |
| Owned Portfolio | Rs in Crs. | 422.32 | 341.45 |
| Net Interest Income | Rs. in Crs. | 31.79 | 37.99 |
| Profit after Tax | Rs. in Crs. | -17.16 | 6.42 |
| Tangible net worth | Rs. in Crs. | 52.31 | 86.64 |
| Gearing | Times | 8.22 | 3.91 |
| Gross NPA | % | 1.68% | 2.63% |
| Gross NPA (Owned Portfolio) | % | 1.81% | 2.21% |

| | | | |
|---------------------------|---|--------|--------|
| Net NPA | % | 0.00% | 0.00% |
| Net NPA (Owned Portfolio) | % | 0.00% | 0.00% |
| CRAR | % | 18.89% | 31.62% |
| Tier I ratio | % | 9.45% | 20.41% |

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal and suspended)

| Sr. No. | Name of Instrument | Current Rating (2022) | | | Rating History for the past 3 years | | |
|--------------|---------------------|-----------------------|-------------------|---|-------------------------------------|---|------|
| | | Type | Amount (Rs. Cr.s) | Rating | 2021 (05 March 2021) | 2020 | 2019 |
| 1. | Term Loans | Long Term | 541.65 | BWR BBB/Stable (Reaffirmed) Advisory issued for delay in rating (05 March 2022) | BWR BBB/Stable (Assigned) | BWR BBB+/Stable (Reaffirmed) and simultaneously withdrawn | - |
| 2. | Proposed Term Loans | | 108.35 | | | | |
| Total | | | 650.00 | Rupees Six Hundred Fifty Crores only | | | |

COMPLEXITY LEVELS OF THE INSTRUMENTS - Bank Loans - Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

| Analytical Contacts | |
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Vedika Credit Capital Limited
ANNEXURE I - Details of Bank Facilities rated by BWR

| Sl. No. | Name of the Lender | Type of Facilities | Long Term (Rs in Cr) | Short Term (Rs in Cr) | Total@ (Rs in Cr) |
|---------|--|--------------------|----------------------|-----------------------|-------------------|
| 1. | NABKISAN Finance Limited TL-1 | Term Loan | 2.98 | – | 2.98 |
| 2 | NABKISAN Finance Limited TL-2 | Term Loan | 1.52 | – | 1.52 |
| 3 | MUDRA TL-2 | Term Loan | 2.22 | – | 2.22 |
| 4 | NABARD TL-1 | Term Loan | 10.00 | – | 10.00 |
| 5 | NABARD TL-2 | Term Loan | 46.00 | – | 46.00 |
| 6 | NABFINs Limited TL-3 | Term Loan | 0.22 | – | 0.22 |
| 7 | SIDBI TL-5 | Term Loan | 7.00 | – | 7.00 |
| 8 | SIDBI TL-7 | Term Loan | 29.28 | – | 29.28 |
| 9 | Capital Small Finance Bank Ltd TL-3 | Term Loan | 11.59 | – | 11.59 |
| 10 | Suryoday Small Finance Bank Ltd TL-2 | Term Loan | 0.21 | – | 0.21 |
| 11 | ESAF Small Finance Bank Ltd TL-1A | Term Loan | 4.58 | – | 4.58 |
| 12 | ESAF Small Finance Bank Ltd TL-1B | Term Loan | 5.00 | – | 5.00 |
| 13 | IDFC First Bank Limited (Capital First Limited) TL-3 | Term Loan | 10.13 | – | 10.13 |
| 14 | IDFC First Bank Limited (Capital First Limited) TL-4 | Term Loan | 2.38 | – | 2.38 |
| 15 | ICICI Bank Limited TL-1 | Term Loan | 34.55 | – | 34.55 |
| 16 | Canara Bank TL-2 | Term Loan | 1.28 | – | 1.28 |
| 17 | Canara Bank TL-3 | Term Loan | 3.33 | – | 3.33 |
| 18 | Canara Bank TL-4 | Term Loan | 12.40 | – | 12.40 |
| 19 | Oriental Bank of Commerce TL-3 | Term Loan | 8.02 | – | 8.02 |
| 20 | United Bank of India TL-1 | Term Loan | 1.50 | – | 1.50 |
| 21 | Bank of Maharashtra TL-1 | Term Loan | 3.43 | – | 3.43 |

| | | | | | |
|----|----------------------------------|-----------|--------|---|--------|
| 22 | Bank of Maharashtra TL-2 | Term Loan | 21.63 | – | 21.63 |
| 23 | State Bank of India TL-2 | Term Loan | 52.29 | – | 52.29 |
| 24 | State Bank of India TL-3 | Term Loan | 88.08 | – | 88.08 |
| 25 | Indian Overseas Bank TL-4 | Term Loan | 22.80 | – | 22.80 |
| 26 | Indian Overseas Bank TL-5 | Term Loan | 24.88 | – | 24.88 |
| 27 | Union Bank of India TL-2 | Term Loan | 8.51 | – | 8.51 |
| 28 | Union Bank of India TL-3 | Term Loan | 7.00 | – | 7.00 |
| 29 | Indian Bank TL-1 | Term Loan | 18.25 | – | 18.25 |
| 30 | Bank of Baroda TL-2 | Term Loan | 16.41 | – | 16.41 |
| 31 | Punjab National Bank TL-1 | Term Loan | 21.69 | – | 21.69 |
| 32 | Central Bank of India TL-1 | Term Loan | 22.61 | – | 22.61 |
| 33 | Bank of India TL-1 | Term Loan | 25.00 | – | 25.00 |
| 34 | IDBI TL-1 | Term Loan | 14.88 | – | 14.88 |
| | Total allocated Limit (A) | | 541.65 | | 541.65 |
| | Proposed Term Loan (B) | | 108.35 | | 108.35 |
| | Total Rated Bank Limits | | 650.00 | | 650.00 |

Total Rupees Six Hundred Fifty Crores only

@Outstanding as on 31 March 2022

ANNEXURE II - NCD DETAILS: Nil



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