



Press Release

Vanchinad Finance Private Limited (VFPL)

February 05, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank facilities	23.55	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	23.55* (Rupees Twenty-Three Crore and Fifty-Five Lakhs only)				

**The proposed long term bank facility rated in the previous year amounting to Rs 7.20 crore has been withdrawn at the request of the company, as per Infomerics' Policy on withdrawal.*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Vanchinad Finance Private Limited (VFPL). The reaffirmation continues to take into account the established track record of promoters and extensive experience of management team, improving business operations and stable financial indicators. The ratings are, however, constrained by its geographical and portfolio concentration risk, backed with the moderate borrower profile and regulatory and socio-political risks inherent in the industry.

The stable outlook is assigned on back of extensive experience of the promoters and management team and sustained improvement in company's financial performance.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining overall credit metrics.

Downward Factors

- Significant deterioration in its asset quality and/or capitalization levels.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management team

VFPL has an experienced management team having good understanding and vast experience of conducting lending business operations in Kerala. It has a board with reputed members who maintain a strong insight of the business. The board comprises of five members in total. Dr Griger Cherry Williams is the Whole Time Director who is supported by Mr. K.I. Varghese, having experience of around four decades in the banking industry, and other team members. VFPL continues to benefit from the management's established presence in NBFC sector.

Improving business operations

As on March 31, 2024, it operates through a network of 61 branches (September 30, 2024: 63 branches) and is associated with ~75000 borrowers. VFPL's overall loan portfolio increased to Rs. 209.43 crore as on March 31, 2024 (FY23: Rs. 176.28 Crore).

Stable financial indicators

In FY24, the profitability of the company increased along with an increase in operating income as compared to FY23. Further, the net interest margin (NIM) and return on total assets (ROTA) stands comfortable at 14.95% and 4.37% during FY24. Furthermore, the capitalization profile remained comfortable with CAR of 23.73%, as of March 31, 2024 (~21.43% as of March 31, 2023). However, overall gearing ratio stood marginally higher at 4.01x as on March 31, 2024 as against 3.74x as of March 31, 2023.

Key Rating Weaknesses

Geographical and portfolio concentration risk backed with the marginal borrower profile

VFPL is engaged in mainly personal loans followed by microfinance loans, gold loans and consumer durable loans. The profile of borrowers is largely marginal with limited ability to absorb income shocks. The business operations are geographically concentrated in Kerala contributing almost ~87% in FY24 and balance in the state of Tamil Nadu. The NBFC industry



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is prone to socio-political and operational risks, which could negatively impact its operations and thus its financial position. However, the company is also diversifying into secured lending profile by way of gold loans.

Intense competition and susceptibility to regulatory changes

VFPL is exposed to intense competition within the financial services sector, often contending with traditional banks as well as emerging fintech companies vying for market share and customer loyalty. Additionally, NBFCs in India are highly susceptible to changes in the regulatory environment. Government policies, regulatory reforms, and compliance requirements can directly impact their operations, liquidity management, and profitability. Therefore, navigating these competitive pressures and regulatory dynamics is crucial for VFPL to sustain growth and maintain stability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institution/NBFCs Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Policy on Withdrawal of Rating](#)

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

Liquidity - Adequate

As on March 31, 2024, the company is well capitalized with a CAR (%) of 23.73% as against minimum regulatory requirement of 15%. Also, it has adequate cash & bank balances of Rs. 1.54 Crore as on March 31, 2024. Collections were also stable in the 12 months ended September 2024 with average collection efficiency of ~96%.



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About the Company

Vanchinad Finance Private Limited (VFPL) is a wholly owned subsidiary of SML Finance Limited which in turn is held by promoters viz C. C. William Varghese and Dr. Griger Cherry Williams. It is non-deposit taking NBFC, majorly engaged in personal loan and Micro-finance lending. Its registered office is in Ernakulam, Kerala. It was acquired by SML Finance Limited in May 2016 with the aim to expand the latter's microfinance business. Over the years VFPL has forayed in lending personal loans followed by other loans in FY21, in order to diversify its loan book. The company gives consumer durable loans and gold loan to the existing customers under Microfinancing/Business Loan and Personal Loans.

Financials (Standalone):

(Rs. crore)

For the year ended/ As On*	31-3-2023 (Audited)	31-3-2024 (Audited)
Total Operating Income	52.70	62.53
Interest Expenses	16.98	19.11
PAT	6.10	8.72
Total Debt	140.88	169.52
Tangible Net-worth	37.63	42.26
Total Loan Assets	176.28	209.43
Ratios (%)		
PAT Margin (%)	11.57	13.95
Overall Gearing Ratio (x)	3.74	4.01
Total CAR (%)	21.43	23.73
Gross NPA (%)	0.27	0.00
Net NPA (%)	0.00	0.00

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

- CARE Ratings, vide its Press release dated December 14, 2022, has revised the rating of VFPL to "Issuer Not Cooperating" category on account of unavailability of information for monitoring the rating.
- ACUITE Ratings, vide its Press release dated November 21, 2023, has reaffirmed the rating of VFPL at "Issuer Not Cooperating" category on account of unavailability of information for monitoring the rating.



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Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					Date (December 4, 2023)	Date (October 26, 2022)	Date (July 27, 2021)
1.	Cash Credit	Long Term	14.00	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	IVR BB+ /Stable outlook
2.	Term Loan	Long Term	9.55	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	IVR BB+ /Stable outlook
3.	Proposed Long Term Bank Facility*	Long Term	7.20	-	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	IVR BB+ /Stable outlook

**The proposed long term bank facility has been withdrawn at the request of the company, as per Infomerics' Policy on withdrawal*

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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



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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank facilities - Term Loan	-	-	Upto February 2029	9.55	IVR BBB-/ Stable
Long term Bank facilities - Cash credit	-	-	Revolving	14.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Vanchinad-Finance-5feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not

Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	



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	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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