



Press Release

M/s Velicham Finance Private Limited

August 14, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	6.55	IVR BB+/ Stable (IVR Double B plus with Stable Outlook)	Assigned
Long Term /Short Term Bank Facilities (Proposed)	18.45	IVR BB+/ Stable; IVR A4+ (IVR Double B plus with Stable Outlook and IVR A Four plus)	Assigned
Total	25.00 (Twenty-five Crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating assigned to the bank facilities of M/s Velicham Finance Private Limited derives strength from the Experienced promoters, Improvement in financial performance and Comfortable Capital Adequacy Ratio. The rating is however constrained by Geographic Concentration Risk and Competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.
- Any decline in asset quality.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoters

Promoters of VFPL are well qualified, having long track record in corporate and finance domain. Nagarajan Muthukrishnan is the current Managing Director & C.E.O. of VFPL. He has completed M.A, M.S.W, PGDRD, PGDPR, PGDMM and PGDFM and has 30-years of versatile experience in Project planning and designing, participatory rural appraisal, water management, capacity building, manpower planning and management, community development and micro-finance. Rahul Nagarajan holds a dual Master's in Management and International Business from The University of Texas at Dallas, USA. He is an expert in process improvement, Lean & Six Sigma, Scrum and Project Management. Krishna Kumar holds a Post Graduate Degree in M.A. Social Dynamics and a Diploma in Computer Application. He has implemented various community development projects with the support of State & Central Governments. Kamalakar Sai Palavalasa is a Mechanical Engineering graduate with a Master's in Business Administration. He is also the 'Winner Of The 101 Top-most Influential BFSI Leaders In India For 2019' by Et Now World BFSI Congress.

Improvement in financial performance

The financial performance of VFPL has improved in FY21 as compared with FY20. VFPL's total income increased from Rs.2.68 crore in FY20 to Rs.3.84 crore in FY21 driven by increase in loan portfolio during the year. The asset quality of determined by GNPA & NNPA has remained 0%. The total loan assets increased from Rs. 9.76 Crore in FY2020 to Rs. 16.76 Crore in FY2021.

Comfortable Capital Adequacy Ratio

VFPL's capital adequacy ratio (CAR) remained healthy at 78.72% as on March 31, 2021 and 66.56% as on March 31, 2019, as against the regulatory requirement of 15%. The Net worth stood at Rs.7.04 Crore as on March 31, 2021.



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Key Rating Weaknesses:

Geographic Concentration Risk

VFPL operations are geographically concentrated as currently company is operating majorly in the state of Tamil Nadu and Union Territory Puducherry. It has presence particularly in the Tamil Nadu (15 branches) followed by Puducherry (1 branch).

Competitive nature of industry:

VFPL is exposed to stiff competition from other NBFCs and banks. The lending industry focused on small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, VFPL professional management and focused approach towards women entrepreneurs, agriculturists, artisans, self-employed labourers, and traders and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs
Financial Ratios & Interpretation (Financial Sector)

Liquidity –Adequate

Liquidity is marked adequate by the balanced ALM profile. Its borrowings stood at ~Rs.10.06 Crore in FY2021. The average maturity of borrowings is around 2 years against average lending tenure of 13 to 24 months. With the modest portfolio, VFPL was able to recover Rs. 1.73 Crore in collections for the month of May 2021. The overall gearing stood at 1.43x in FY21. VFPL has maintained cash and bank balance of Rs. 0.31 Crore. as on March 31, 2020.



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About the Company:

Velicham Finance Private Limited (VFPL) incorporated in 1991 and has its genesis with Bharathi Women Development Centre (BWDC), which was established in December 1987 as a Society by Nagarajan Muthukrishnan, who is the Managing Director of VFPL. VFPL caters only to the women whose households have dual-earning members & multiple sources of income. It has 15 branches in Tamil Nadu and 1 branch in Puducherry.

Products offered are:

- **Agriculture & Allied Enterprises Loan:** This loan is specifically provided to women who are trying to promote the agricultural and allied enterprises.
- **Micro Small-Medium Enterprise Loan (MSME):** This (MSME) loan is given mainly for the handpicked existing customers of Bharathi Women Development Centre (BWDC), with a good track record (minimum 2+ loan cycle, i.e., 4+ years)
- **Water & Sanitation Loan:** This loan is specifically provided to improve sanitation and supply of potable water.

Financials (Standalone):

For the year ended / As on	31-Mar-20 (A)	31-Mar-21 (A)
Total Operating Income	2.68	3.84
Interest	0.44	1.07
PAT	0.32	0.73
Total Debt	5.06	10.06
Total Networth	4.80	7.04
Total Loan Assets	9.76	16.76
Ratios (%)		
PAT Margin (%)	19.47	18.99
Overall Gearing Ratio (x)	1.05	1.43
GNPA (%)	0.00%	0.00%
NNPA (%)	0.00%	0.00%
CAR (%)	66.56%	78.72%

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities	Term Loan	6.55	IVR BB+/Stable (IVR Double B plus with Stable Outlook)	-	-	-
2.	Long Term/ Short Term Bank Facilities (Proposed)	Proposed Facility	18.45	IVR BB+/Stable; IVR A4+ (IVR Double B plus with Stable Outlook and IVR A Four plus)	-	-	-

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About Infomerics:

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sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

1. Long Term Bank Facility – Term Loans

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	June-2022	0.73	IVR BB+/ Stable
Term Loan	-	-	June-2023	1.00	IVR BB+/ Stable
Term Loan	-	-	November - 2022	0.78	IVR BB+/ Stable
Term Loan	-	-	February-2022	0.41	IVR BB+/ Stable
Term Loan	-	-	February-2024	1.33	IVR BB+/ Stable
Term Loan	-	-	-	1.43	IVR BB+/ Stable

2. Long Term Bank Facility – Fund Based (Proposed)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term/ Short term fund-based facility – Proposed	-	-	-	3.00	IVR BB+/ Stable and IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	1.00	IVR BB+/ Stable and IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	2.00	IVR BB+/ Stable and IVR A4+
Long term/	-	-	-	2.00	IVR BB+/ Stable and



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Short term fund-based facility – Proposed					IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	3.00	IVR BB+/ Stable and IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	4.00	IVR BB+/ Stable and IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	2.00	IVR BB+/ Stable and IVR A4+
Long term/ Short term fund-based facility – Proposed	-	-	-	1.45	IVR BB+/ Stable and IVR A4+

3. Long-Term Working Capital Limits – Fund Based

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
WCTL	-	-	December -2023	0.87	IVR BB+/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lenders-Velicham-Finance-Pvt-Ltd-14-aug-21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:
Not Applicable



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Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	WCTL	Simple

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.