

CARE/DRO/RR/2018-19/1222

**Mr S K Sinha**  
**Chairman & Managing Director**  
**Saija Finance Private Limited**  
F-128, 3<sup>rd</sup> Floor, Mohammadpur,  
R.K Puram, Opp. Bari Parking, Behind Bikaji Cama Place,  
New Delhi-110066

April 17, 2018

Dear Sir,

**Credit rating for Non-Convertible Debentures**

Please refer to our letter dated April 02, 2018 on the above subject.

2. The rationale for the ratings is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our monthly journal, 'CAREVIEW'.
3. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 19, 2018 we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



**Jyoti Rautela**  
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Encl: As above

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## Annexure-I

### Rating Rationale

#### Saija Finance Private Limited

##### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Non-convertible debentures	23.45 <sup>^</sup>	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Non-convertible debentures	20.00 <sup>&amp;</sup>	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Non-convertible debentures	23.45 <sup>*</sup>	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)

<sup>^</sup>equivalent USD 4 Mn

<sup>&</sup> equivalent of approximately USD 3.1 million

<sup>\*</sup>equivalent to approximately USD 3.5 million

##### Rationale

The rating assigned to the instruments of Saija Finance Private Limited (SFPL) derives strength from the experience of the promoters with long track record of operations in the financial services industry along with presence of strong investor base & presence of institutional investors who have also infused additional capital of Rs.30 crore in FY18. The rating also factors in the adequate system set-up for management information & loan portfolio management. However, the rating strengths are offset by moderate asset quality, geographic concentration of the loan portfolio, weakness in profitability post demonetization and relatively high leverage indicators, high competition from larger MFIs in their main areas of operation and regulatory uncertainty and socio-political intervention risks in the MFI industry.

Going forward, the ability of the company to grow its loan portfolio while maintaining asset quality, improvement in geographical diversification and maintaining healthy profitability and capitalization profile would be key rating sensitivities.

##### Outlook: Stable

The outlook is 'Stable' on account of the capital raising of Rs.15 crores during December 2017 and fresh capital raising of Rs.15 crores during February 2018 from the existing investors. The capital raising will enable company to absorb losses arising from weakness in collection efficiency post demonetization and support the growth plans of the company while maintaining comfortable capital structure.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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## **Background**

Saija Finance Private Limited (SFPL) is a RBI registered NBFC-MFI, based out of Patna (Bihar) which started its microfinance operations, as a society under the name "SaijaVikas", in November 2007 under Mr. S. R. Sinha and Mrs. Rashmi Sinha. SaijaVikas was later converted into a private limited company and was registered as a NBFC in April 2008. SFPL follows Joint Liability Group (JLG) model (comprising of 4-30 members) wherein it provides financial assistance to poor women and men of urban and rural areas. The company provides small value collateral free loans ranging from Rs.5,000 up to Rs.100,000 for tenure of 12-24 months. The loan installments are payable on weekly/fortnightly/monthly basis at the choice of the borrower and the rate of interest charged is 24.64% per annum for Q4FY18. SFPL also provides loans to individuals, for purchasing of solar lighting products and seasonal short term loans for immediate requirement. As on Dec 31, 2017, SFPL had total outstanding Assets under Management (AUM) of Rs.250 crore across 4 states of Bihar, Jharkhand, Uttar Pradesh and Haryana.

## ***Credit Risk Assessment***

### ***Experienced promoters with long track record of operations in the MFI industry***

SFPL was started by Mr SR Sinha and Ms Rashmi Sinha initially as a society named Saija Vikas. It was converted into private limited company and NBFC in April 2008. It was later converted into NBFC-MFI in Dec 2013. Mr SR Sinha (CMD), a FMS Alumnus, has varied experience of more than 35 years in retail finance, housing finance and insurance. Ms. Rashmi Sinha (whole time director), a FMS alumnus as well, has over 30 years of experience in the field of human resource and management education. They are assisted by a team comprising of professionals with over a decade of diverse experience from microfinance, social and financial sector.

### ***Adequate loan portfolio management and MIS system in place***

SFPL has an adequate loan portfolio management and accounting system that has been developed over a period of time. The company follows a branch-hub-HO policy, wherein computerized data entry and sourcing are done at the hub level. SFPL has devised in-house state of the art software named "Omni" (developed by Infracsoft Technologies- a leading banking and finance system software developer) suiting its IT requirements, and covers various aspects of the organizational functions. The integrated system used for Loan Management and Financial Accounting to monitor and control the business through systemic MIS reports, and can support portfolio support for further scale-up of operations. Rigorous supervision by operations team and regular checks and controls of finance and internal audit department, have also been crucial in maintaining discipline and asset quality.

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### ***Moderately diversified resource base and presence of multiple long term investors***

SFPL's presently has availed lending from 8 banks (includes 3 PSU Banks & 4 private banks) and 15 financial institutions. Apart from that, SFPL has good investor base, who have infused additional capital of Rs.30 crore in FY18, with its large investors being Accion Gateway LLC and Accion Africa Asia Investment Company (a US based Social venture holding 40.61%), Pragati India Fund Ltd (a venture by IFC and British CDC holding 34.28%) and remaining shareholding (25.11%) with the promoters including 18.02% held by Saija Management and Employees welfare Trust as on Dec 31, 2017. Further SIDBI has provided OCPS (Optionally Convertible Preference Shares) of Rs.3 crore during FY14 redeemable in 2 tranches by the end of 4<sup>th</sup> and 5<sup>th</sup> year from the date of issue and Capital First Ltd has provided subordinate debt of Rs.15 crore for a fixed tenor of 7 years. SFPL has also tapped the NCD and securitization route of financing, as on Dec 31, 2017, the total NCDs outstanding stood at Rs.136.23 crore and total securitized portfolio stood at Rs.12.09 crore. Even though SFPL has diversified its resource profile, NCD constitutes 59% of total borrowings as on Dec 31, 2017.

### ***Moderate Asset Quality***

For SFPL, PAR > 30 days and PAR >90 days stands at 7.9% and 4% respectively as on March 31, 2017 and PAR>30 days and 90 days stands at 6.6% and 5.7% respectively as on Dec 31, 2017. SFPL has been able to maintain moderate asset quality with Gross NPA and Net NPA at 0.48% and 0.03% respectively as on March 31, 2017 (considering RBI dispensation) and Gross NPA and Net NPA at 6.4% and 0.31% respectively as on Dec 31, 2017.

Sustenance of asset quality at higher levels of operations is to be seen.

### ***Moderate capitalization levels and high leverage indicators***

SFPL's capitalization level remains adequate for the current level of operations. SFPL had a tangible net worth of Rs.28.23 crore as on March 31, 2017 and Rs.30.89 crore as on Dec 31, 2017 (including CCPS of Rs.15 crore). The CAR was moderate at 16.10% (Tier I: 10.91%) as on March 31, 2017, following CCPS raising of Rs.15 crores in December 2017, its CRAR and Tier-I capital improved to 20.96% & 14.21% respectively as on Dec 31, 2017. Further the company has also raised CCPS of Rs.15 crore in Feb 2018, which will support its capitalization profile and growth plans in future.

The adjusted gearing of the company stands at 9.24 times as on March 31, 2017. The adjusted gearing as on Dec 31, 2017 stands at 8.72 times, on a total debt of Rs.231 crore and an AUM of Rs.250 crore (including managed portfolio of Rs.38.05 crore).

### ***Moderate Financial Profile***

SFPL operations remains moderate with a total AUM size of Rs.251 crore as on March 31, 2017 vis-à-vis Rs.216 cr as on March 31, 2016. Thereby, the earning profile of SFPL remains small with a total

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income of Rs.60.66 crore for FY17 (P.Y: 41.71 crore). SFPL reported ROTA of 0.81% as on March 31, 2017 and PAT margin of 4.32% during FY17. The operating expenses as a percentage of average total assets remain high at 7.88% in FY17 with company opening new branches in existing states.

During 9MFY18, the company registered a total income of Rs.42.47 crore and losses of Rs.8.48 crore. Total AUM stands at Rs.250 cr as on Dec 31, 2017 (including managed portfolio of Rs.38.05 cr)

#### **Geographic concentration risk**

SFPL started its operations in Bihar. Even though the company has diversified into Jharkhand (14% of AUM), Uttar Pradesh (11% of AUM) and Haryana (0.12%), SMPL has 74% of AUM originating in Bihar as on Dec 31, 2017.

SFPL started operations in Haryana during December 2017.

#### **Financials:**

(Rs. cr)

<i>For the period ended / as at March 31,</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(12m, A)</i>	<i>(12m, A)</i>	<i>(12m, A)</i>
<b>Working Results</b>			
Interest Income	19.06	38.51	46.26
Other operating income	1.50	3.21	14.40
<b>Total Income</b>	<b>20.55</b>	<b>41.71</b>	<b>60.66</b>
Operating Expenses	9.09	14.66	20.93
Total Provision / Write offs	0.16	1.26	0.77
Depreciation	0.32	0.44	0.40
Interest	9.50	22.58	36.20
<b>PBT</b>	<b>1.47</b>	<b>2.79</b>	<b>2.27</b>
<b>PAT</b>	<b>1.00</b>	<b>2.32</b>	<b>2.21</b>
<b>Financial Position</b>			
Tangible Net worth	25.22	25.57	28.23
Total Borrowings	113.06	226.00	225.00
Total Loan Portfolio	68.42	169.97	213.00
Total Assets	155.17	271.50	271.18
Asset under Management (AUM)	122.16	216.74	251.22
<b>Key Ratios (%)</b>			
<b>Solvency</b>			
Overall Gearing (times)	4.48	8.84	7.97
Capital Adequacy Ratio (CAR) (%)	24.77	21.40	16.10
Tier I CAR (%)	21.78	12.79	10.91
Interest Coverage (times)	1.16	1.12	1.06
<b>Profitability (%)</b>			
Net Interest Income/Average Total Assets	7.22	4.55	3.71
Return on Total Assets (ROTA)	0.91	1.09	0.81
Operating expenses to Total Assets	8.58	7.10	7.86
<b>Adjusted Ratios</b>			
Adjusted Gearing times	6.64	10.67	9.24
Adjusted ROTA (%)	0.73	0.88	0.71
Adjusted Operating expense/Average total Assets (%)	6.87	5.72	6.80
<b>Asset Quality</b>			
Gross NPA Ratio(%)	0.09	0.22	0.09*

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Net NPA Ratio(%)	Nil	0.06	0.03*
Net NPA to Net worth (%)	Nil	Nil	Nil*

\* Including RBI dispensation

#### Disclaimer

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