Light
Finance. Simple.

Date: February 15, 2024

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

Scrip Code: 974255, ISIN: INE366T07097
Scrip Code: 974421, ISIN: INE366T07113
Scrip Code: 975285, ISIN: INE366T08020

Sub: Intimation regarding Credit Rating pursuant to Regulation 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

With respect to the subject mentioned above, we are pleased to inform you that CRISIL Ratings Limited reviewed and reaffirmed the rating of Rs. 78 Crore Non-Convertible Debentures of Light Microfinance Private Limited.

ISIN	INE366T07097	INE366T07113	INE366T08020
Name of the Credit Rating Agency	CRISIL Ratings Limited	CRISIL Ratings Limited	CRISIL Ratings Limited
Credit Rating Assigned	BBB+	BBB+	BBB+
Outlook (Stable/ Positive/ Negative/ No Outlook)	Stable	Stable	Stable
Rating Action (New/ Upgrade/ Downgrade/ Re-Affirm/ Other)	Re-affirmed	Re-affirmed	Re-affirmed
Specify other Rating Action	-	-	-
Date of Credit Rating	14.02.2024	14.02.2024	14.02.2024
Verification status of Credit Rating Agencies	Verified	Verified	Verified
Date of verification	14.02.2024	14.02.2024	14.02.2024

A copy of the detailed Rating rationale is attached herewith.

You are hereby requested to take it on your record.

Thanking You,

FOR AND ON BEHALF OF
LIGHT MICROFINANCE PRIVATE LIMITED

GAJJAR MADHAVI
GHANSHYAMBHAI

Digitally signed by GAJJAR MADHAVI GHANSHYAMBHAI
Date: 2024.02.15 18:53:56 +05'30'

MS. MADHAVI GAJJAR,
CHIEF COMPLIANCE OFFICER & COMPANY SECRETARY
(M. NO. A54522)

Rating Rationale

February 14, 2024 | Mumbai

Light Microfinance Private Limited

'CRISIL BBB+/Stable' assigned to Non Convertible Debentures

Rating Action

Total Bank Loan Facilities Rated	**Rs.425 Crore**
Long Term Rating	**CRISIL BBB+/Stable (Reaffirmed)**

Rs.22 Crore Non Convertible Debentures	**CRISIL BBB+/Stable (Assigned)**
Rs.17 Crore Non Convertible Debentures	**CRISIL BBB+/Stable (Reaffirmed)**
Rs.50 Crore Non Convertible Debentures	**CRISIL BBB+/Stable (Reaffirmed)**
Rs.101 Crore Non Convertible Debentures	**CRISIL BBB+/Stable (Reaffirmed)**
Rs.32 Crore Non Convertible Debentures	**CRISIL BBB+/Stable (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB+/Stable'** rating to the Rs 22 crore non-convertible debentures of Light Microfinance Pvt Ltd (Light Microfinance). CRISIL Ratings has reaffirmed its ratings on the bank facilities and debt instruments of Light Microfinance at 'CRISIL BBB+/Stable'.

The rating continues to factor in the improvement in scale of operations while maintaining asset quality metrics, and enhancement in earnings profile. The rating also takes into consideration the extensive experience of the promoters and management in microfinance business. The above strengths are partially offset by geographical concentration of portfolio and susceptibility of the microfinance sector to regulatory and legislative risks.

Light Microfinance reported strong growth with assets under management (AUM) increasing by 67% as on March 31, 2023, to Rs 1782 crore (Rs 1064 crore a year earlier). AUM has further increased to Rs 2229 crore as on December 31, 2023. The company is expected to maintain its growth momentum supported by the opening of new branches and increased penetration from existing branches.

Light Microfinance has managed its portfolio asset quality well as compared to similar size peers over the last two fiscals. The adjusted 90+ days past due (dpd) (including write-offs) was at 4.4% as on March 31, 2023 (2.6% a year earlier). As on December 31, 2023, the 90+ dpd (including write-offs) have improved to 2.2%. CRISIL Ratings notes that the company sold around Rs 49 crore worth of non-performing assets (NPAs) to asset reconstruction company (ARC) during fiscal 2023. Further the company wrote-off about Rs 62 crore during fiscal 2023, however during 9 months of fiscal 2024, there have been no write-offs. As far as collection efficiency is concerned, it remained at 97-98% for the originations done during the last 2 quarters. CRISIL Ratings, nevertheless, believes considering the pace at which Light Microfinance has been growing its portfolio, their ability to maintain portfolio quality will remain key rating sensitivity factor.

As far as profitability is concerned, with de-regulation of net interest margin (NIM), the company has raised their interest yields by 200-300 bps on the incremental disbursements done during the last 3-4 quarters. Consequently, NIM has seen a sharp improvement. While operating expenses have remained relatively high, credit costs have remained under control. Overall, the return on managed assets (RoMA) stood all time high at around 3.3% (annualised) during nine months of fiscal 2024 (1.63% during fiscal 2023).

The company’s capital position is currently adequate with gearing at 4.4 times as on December 31, 2023 (4.1 times as on March 31, 2023). With the expected increase in scale of operations, the company will need to raise equity in a timely manner to maintain its gearing metrics. To achieve the same, Light Microfinance proposes to raise another Rs 200 crore by Q1 FY25 to support growth and therefore operate at steady state gearing levels of 4.5 times over the medium term.

Analytical Approach

CRISIL Ratings has evaluated the business and financial risk profiles of Light Microfinance on a standalone basis.

Key Rating Drivers & Detailed Description

Strengths:

- **Adequate capitalisation supported by regular equity infusion**
  The capital position of Light Microfinance is adequate in relation to its scale of operation, backed by regular capital infusion despite the challenging economic environment during the pandemic, which is demonstrative of the constant support from its investors. The company is backed by three European impact investors – NMI Fund, Triple Jump, and Incofin—and has received $10 million in total of which $3.5 million was received in January 2020 and $6.5 million was infused in June and July 2021. Light Microfinance has also raised ~Rs 196 crore of equity capital latest from existing financial investors and a new investor. Post the entire infusion, Light Microfinance’s networth increased to over Rs 320 crore as on March 31, 2023. Further, this infusion helped the company to bring significant correction in its stretched gearing; As on December 31, 2023, gearing stood at 4.4 times (4.1 times a year earlier). The company proposes to raise further Rs 200 crore equity by Q1 FY25 to support growth and would operate at similar gearing levels. Management proposes to maintain a steady gearing of 4.5 times. CRISIL Ratings believes the company’s ability to significantly ramp-up internal accretion to sustain its capital position and to keep raising capital at regular intervals will remain key in order to maintain gearing at desirable levels.

- **Extensive experience of the promoter, board, and senior management team**
  The company is promoted by Mr Deepak Amin (MD) who founded Light Microfinance to leverage his experience and expertise in the field of technology to provide affordable loans to the lower strata of the society. Mr Rakesh Kumar who is the co-founder and CEO brings rich experience of microfinance business and scaling up the same in new geographies. Mr Aviral Saini, cofounder, and CFO of the company, brings strong experience on the technology, fund raising and resource planning to fund future growth. Light Microfinance benefits substantially from the presence of experienced professionals with average experience of over a decade in the fields of microfinance, audit, operations, financial advisory, accounting and information technology (IT). The board comprises eminent persons from financial and allied sectors.

- **Improving asset quality backed by adequate risk management practices**
  Light Microfinance has managed its portfolio well as compared to similar size peers. The 90+ dpd including write-offs as on December 31, 2023, stood at 2.2% as against 4.4% as on March 31, 2023 (2.6% a year earlier), The company did not undertake write-offs in fiscal 2022 and average credit costs (provisioning + write-offs) for the fiscals of 2022 and 2023 was low at 1.87% and 0.49%, respectively. As on December 31, 2023, the credit cost stood at 1.68% (annualised). During fiscal 2023, the company wrote-off about Rs 62 crore, which is a fairly low quantum in comparison to most peers. The company sold around Rs 49 crore worth of NPAs to ARC during fiscal 2023. In terms of collection efficiency, the company has been able to maintain it at 97-98% during the last two quarters. This in turn has resulted in lower delinquencies on an incremental basis.

  As far as systems and processes are concerned, Light Microfinance has been able to utilise it in accordance to its nature of business while keeping technology in the forefront. Some of these efforts have enabled smooth scaling-up of the operationally intensive microfinance business. The company was able to effectively adjust with the revised regulations of assessing household income in a steady state manner. Considering all these aspects, CRISIL Ratings, overall believes the pace at which Light Microfinance has been growing its portfolio, their ability to maintain portfolio quality will remain key rating sensitivity factor.

- **Enhancement in the earnings profile**
  With the revised regulatory framework (de-regulation of NIM), the company has raised its interest yields by 200-300 bps on the incremental disbursements done during the last 3-4 quarters, i.e., Light Microfinance has augmented its lending rates to over 26% for fresh loans from the previous 21.8%. Consequently, Light Microfinance's incremental cost of borrowing stood at 11.9% for nine months of fiscal 2024, improving from 12.5% average in fiscal 2022. As the resource profile further diversifies with the share of bank funding increasing, the cost of borrowing may see further reduction going forward. With the increase in yield and the low cost of funds, net interest income/average managed assets have seen improvement i.e., 9.8% (annualised) during the first 9 months of fiscal 2024 as against 7.8% during fiscal 2023 (6.3% during fiscal 2022).

  However, Light Microfinance's operating expense [operating expense/average of managed assets of current and previous fiscals] stood at 7.2% (annualised) during nine months of fiscal 2024 as against 6.8% during fiscal 2023. The company's high operating costs are attributable to its strong focus on risk management and hence has an independent credit manager at every branch. The company continues to open new branches and hire personnel to support its growth plans. In the second half of the current fiscal, operating expenses are expected to remain high as they are going to open new branches. As the new branches achieve operating efficiency, the company's profitability from core business is expected to further improve, albeit gradually. The average credit costs (provisioning + write-offs) stood around 1.68 (annualised) during nine months of fiscal 2024. Light Microfinance reported a net profit of Rs. 27 crore in fiscal 2023, translating into RoMA of 1.62% as against a net profit of Rs 5.4 crore in fiscal 2022. During the nine months of fiscal 2024, Light Microfinance reported a net profit of Rs 56.5 crore translating to RoMA of 3.3% (annualised). CRISIL Ratings believes with higher margins and low credit costs, Light Microfinance's profitability has been improving. Nevertheless, its ability to sustain its margins and control operating expenses will remain a key monitorable.

Weaknesses:

- **Geographical concentration in portfolio**
  As of December 2023, Gujarat and Rajasthan account for 77.2% of the overall portfolio. Company has focused on a set of customers predominant in the western region of India. Light Microfinance has over 60% of its customers engaged in dairy farming as their primary occupation. In terms of district-wise concentration, the top five districts accounted for 25.8% of the overall AUM as of December 2023 with the top 2 district having geographic concentration of at 9.28% and

6.30% and the rest below 5% . Geographic concentration increases the company's susceptibility to local socio-political risks, inherent in the microfinance business. Nevertheless, strong risk management practices would help the company to mitigate these risks. The company has expanded to states like Uttar Pradesh, Uttarakhand, Odisha and Jharkhand, to drive incremental growth and reduce state-wise concentration. While the company has presence only in 9 states, operations are spread across 244 branches in 128 districts, they have penetrated four new geographies – Uttarakhand, Uttar Pradesh, Jharkhand and Odisha. Nevertheless, amidst fast growth in the portfolio, sustainability of asset quality at the current level of growth and across new territories will be a key monitorable.

- **Susceptibility to potential risk from socio-political issues in the microfinance sector and inherently modest credit risk profile of the borrowers**
  The microfinance sector has witnessed three major disruptive events in the past decade. The first was the crisis promulgated by the ordinance passed by the Government of Andhra Pradesh in 2010; second was demonetisation in 2016; followed by Covid-19 in March 2020. In addition, the sector has faced issues of varying intensity in several geographies. Promulgation of the ordinance on microfinance institutions (MFIs) by the Government of Andhra Pradesh in 2010 demonstrated their vulnerability to regulatory and legislative risks. The ordinance triggered a chain of events that adversely affected the business models of MFIs by impairing their growth, asset quality, profitability, and solvency. Similarly, the sector witnessed high level of delinquencies post-demonetisation and the subsequent socio-political events. This indicates the fragility of the business model against external risks. As 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, tighter regulations and legislation.

Liquidity: Adequate

The asset-liability management (ALM) profile was comfortable, with cumulative positive mismatches across all segments up to one year as on December 31, 2023. The company had cash and bank balance of Rs 204.3 crore as on December 31, 2023. Against this, the total outflow (including debt payments and operating expenses) over the next two months was Rs 399.7 crore. The company's liquidity cover for three months stands adequate at 1.2 times after assuming 75% collections. Liquidity is supported by steady collections over the past 2-3 months, standing at Rs 130-150 crore.

Outlook: Stable

Light Microfinance will continue to benefit from adequate risk management systems and processes and the extensive experience of its promoter and management team.

Rating Sensitivity factors

Upward factors

- Significant increase in scale of operations along with geographical diversification leading to steady reduction in state level concentration
- Consistent improvement in capital position with adjusted gearing maintained at or below 5 times
- Increase in earnings profile leading to improvement in return on assets over 3% on a sustainable basis

Downward factors

- Inability to maintain adjusted gearing below 6 times and capital adequacy over 20% on a steady-state basis
- Weakening in asset quality resulting in stressed profitability and capital position

About the Company

Light Microfinance is a private limited company registered as a non-banking finance company – microfinance institution (NBFC – MFI) with the Reserve Bank of India. Headquartered in Ahmedabad, Gujarat, the company provides micro finance products and services and poverty-focused programmes, targeting rural and semi-urban population, with a specific focus on women borrowers. It started operations in 2009 after acquiring a non-operational Jaipur based NBFC registered as KK

Finbuild (registered in 1994). The company started with focus on Gujarat and slowly expanded to other states. Currently, it operates in Gujarat, Rajasthan Madhya Pradesh, Himachal, Odisha, Jharkhand, Uttarakhand and Haryana. It has presence across 128 districts with 244 branches as of December 2023.

Key Financial Indicators

As on / for the period ended	Unit	Dec-23 (InDAS)	Mar-23 (InDAS)	Mar-22 (IGAAP)	Mar-21 (IGAAP)	Mar-20 (IGAAP)
Total managed assets	Rs crore	2531	2067	1231	694.4	557.2
Total income	Rs crore	378	291	166	115	76.8
PAT	Rs crore	56	27	5.4	12.7	4.0
Return on managed assets	%	3.3*	1.6%	0.6%	2.0%	0.9%
GNPA (90+ dpd)^	%	2.2%	4.4%	2.6%	0.8%	0.5%
Gearing	Times	4.3	4.1	6.7	5.6	5.0

**annualised*
^Including write off

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Non-Convertible Debenture*	NA	NA	NA	22	Simple	CRISIL BBB+/Stable
INE366T08020	Non-Convertible Debenture	28-Dec-2023	14.50%	28-May-2029	30	Simple	CRISIL BBB+/Stable
NA	Non-Convertible Debenture*	NA	NA	NA	20	Simple	CRISIL BBB+/Stable
INE366T07105	Non-Convertible Debenture	24-Nov-2022	11.95%	24-Nov-2027	24.46	Simple	CRISIL BBB+/Stable
NA	Non-Convertible Debenture*	NA	NA	NA	6.54	Simple	CRISIL BBB+/Stable
INE366T07113	Non-Convertible Debenture	12-Dec-2022	12.29	12-Dec-2025	32	Simple	CRISIL BBB+/Stable
INE366T07097	Non-Convertible Debenture	26-Sep-2022	12.29%	25-Sep-2026	16	Simple	CRISIL BBB+/Stable

INE366T08012	Non-Convertible Debenture	31-Mar-2021	16.00%	30-Jun-2026	10	Simple	CRISIL BBB+/Stable
INE366T07063	Non-Convertible Debenture	6-May-2021	12.30%	6-May-2024	39	Simple	CRISIL BBB+/Stable
INE366T07071	Non-Convertible Debenture	20-Aug-2021	12.30%	20-Aug-2024	22	Simple	CRISIL BBB+/Stable
NA	Long Term Bank Facility	NA	NA	NA	206.04	NA	CRISIL BBB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	218.96	NA	CRISIL BBB+/Stable

**Yet to be issued*

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	425.0	CRISIL BBB+/Stable		--	21-12-23	CRISIL BBB+/Stable	28-11-22	CRISIL BBB/Stable / CRISIL A2	12-10-21	CRISIL BBB/Stable	--
			--		--	25-10-23	CRISIL BBB+/Stable	03-10-22	CRISIL BBB/Stable / CRISIL A2		--	--
			--		--	09-10-23	CRISIL BBB+/Stable	12-09-22	CRISIL BBB/Stable / CRISIL A2		--	--
			--		--	26-09-23	CRISIL BBB+/Stable / CRISIL A2+	03-08-22	CRISIL BBB/Stable / CRISIL A2		--	--
			--		--	17-03-23	CRISIL BBB/Stable / CRISIL A2	28-07-22	CRISIL BBB/Stable / CRISIL A2		--	--
			--		--	28-02-23	CRISIL BBB/Stable / CRISIL A2	14-03-22	CRISIL BBB/Stable		--	--
			--		--	10-02-23	CRISIL BBB/Stable / CRISIL A2	04-02-22	CRISIL BBB/Stable		--	--
			--		--	09-01-23	CRISIL BBB/Stable / CRISIL A2		--		--	--
Non Convertible Debentures	LT	222.0	CRISIL BBB+/Stable		--	21-12-23	CRISIL BBB+/Stable	28-11-22	CRISIL BBB/Stable	12-10-21	CRISIL BBB/Stable	--
			--		--	25-10-23	CRISIL BBB+/Stable	03-10-22	CRISIL BBB/Stable		--	--

			--		--	09-10-23	CRISIL BBB+/Stable	12-09-22	CRISIL BBB/Stable		--	--
			--		--	26-09-23	CRISIL BBB+/Stable	03-08-22	CRISIL BBB/Stable		--	--
			--		--	17-03-23	CRISIL BBB/Stable	28-07-22	CRISIL BBB/Stable		--	--
			--		--	28-02-23	CRISIL BBB/Stable	14-03-22	CRISIL BBB/Stable		--	--
			--		--	10-02-23	CRISIL BBB/Stable	04-02-22	CRISIL BBB/Stable		--	--
			--		--	09-01-23	CRISIL BBB/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Long Term Bank Facility	17.5	Utkarsh Small Finance Bank Limited	CRISIL BBB+/Stable
Long Term Bank Facility	71.88	Bandhan Bank Limited	CRISIL BBB+/Stable
Long Term Bank Facility	93.75	The Federal Bank Limited	CRISIL BBB+/Stable
Long Term Bank Facility	22.91	Equitas Small Finance Bank Limited	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility	218.96	Not Applicable	CRISIL BBB+/Stable

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition

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For more information, visit www.crisilratings.com

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It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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