

No.CTL/DEB/18-19/Noting Certificate/218

May 09, 2018

To Whomsoever It May Concern,

CERTIFICATE FOR RECEIPT AND NOTING OF INFORMATION

[Pursuant to Regulation 52(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

We, Catalyst Trusteeship Limited (“**Debenture Trustee**”) hereby confirm that we have received and noted the information, as specified under regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“**Regulations**”), provided to us by **Neo Growth Credit Pvt Ltd** (“**the Company**”) for the Half year ended March 31, 2018.

This Certificate is being issued pursuant to the requirements of regulation 52(5) of the aforesaid Regulations, for onward submission to Stock Exchange(s) by the Company.

For Catalyst Trusteeship Limited


Authorised Signatory

Encl: Results submitted by Company



ANNEXURE - I



Date: May 9, 2018

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Subject: Yearly Compliance under Regulation 52 of SEBI (LODR), 2015 for the year ended on March 31, 2018.

Dear Sir,

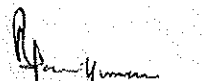
We hereby submit the following documents u/r 52 of SEBI (LODR), 2015:

1. Audited Financial results alongwith the Audit report for the year ended on March 31, 2018.
2. Credit Rating letter.
3. Information required u/r 52(4) & (5) of SEBI (LODR), 2015.
4. Certificate from Debenture trustee noting the contents u/r 52(5) of SEBI (LODR), 2015.

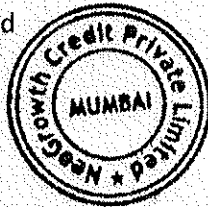
Kindly take the above documents on record and oblige.

Thanking You,

For, NeoGrowth Credit Private Limited


B. Ravikumar

CFO & Company Secretary



SEBI REGULATORY YEARLY COMPLIANCE REPORT



Date: May 9, 2018

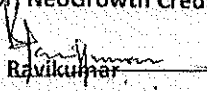
To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Subject : Statutory Compliance u/r 52(4) & (5) of SEBI (LODR), 2015- Yearly Report for the year ended on March 31, 2018
As per Regulation 52 (4) & (5), the Company hereby submits the below mentioned information for the year ended on March 31, 2017:

Sr.No	Particulars	Remarks
a)	Credit Rating and Change in Credit Rating, if any	There has been a change in credit rating of CARE for Company's NCD's amounting to Rs. 140.60 Crs. The Credit agency has revised the rating of the said NCD's from "CARE BBB; Stable" to "CARE BBB+; Stable". No change in credit rating of India ratings and ICRA. Credit rating letters are attached in <u>Annexure – I</u>
b)	Debt – Equity Ratio	1.64
c)	Previous due date for payment of interest/dividend for Non – Convertible Redeemable Preference Shares/Repayment of Principal of Non- Convertible Preference Shares/Non – Convertible Debt Securities and whether the same has been paid or not	As per <u>Annexure-II</u>
d)	Next Due Date for Payment of Interest/dividend of Non-Convertible Preference Shares/Principal along with the amount of interest/dividend of Non-Convertible preference shares payable and the redemption amount.	As per <u>Annexure-II</u>
e)	Debenture Redemption Reserve (if Applicable)	As stated in the MCA General Circular No 9/2002, paragraph no.5 point (b), DRR is not applicable for NBFCs registered with RBI u/s 45- IA of RBI (Amendment) Act, 1997, in case of privately placed debentures.
f)	Net Worth	Rs. 426,16,12,767
g)	Net Profit after Tax	Rs. (23,59,54,988)
h)	Earnings per Share	(13.11)

In accordance with the requirements of Regulation 52(7), we confirm that there have been no material deviations in the use of proceeds of non-convertible debt securities from the objects stated in the offer documents.

Thanking you,
Yours Sincerely,
For NeoGrowth Credit Private Limited


B. Ravikulmar
CFO & Company Secretary



NeoGrowth Credit Pvt. Ltd.
Registered Office:
503, Tower 2B, One India Bulls Centre,
841, S. B. Marg, Mumbai – 400 013, India.

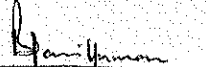
T: +91 22 4921 9999
E: contact.us@neogrowth.in
www.neogrowth.in
CIN: U51504MH1993PTC251544

ANNEXURE – II

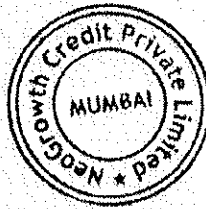
DETAILS OF PREVIOUS DUE DATE AND NEXT DUE DATE FOR PAYMENT OF INTEREST AND PRINCIPAL AS ON 31.03.2018

ISIN	Type	Previous due date for payment of interest/principal	Actual date of payment of interest/principal	Next due date for payment of interest/principal
INE814O07014	Interest	22-01-2018	22-01-2018	22-07-2018
INE814O07022	Interest	04-05-2018	04-05-2018	05-11-2018
INE814O07030	Interest	15-03-2018	15-03-2018	15-06-2018
INE814O07048	Interest	17-02-2018	16-02-2018	17-08-2018
INE814O07055	Interest	29-03-2018	28-03-2018	29-09-2018
INE814O07063	Interest	22-11-2017	22-11-2017	22-05-2018
INE814O07071	Interest	07-02-2018	07-02-2018	07-08-2018
INE814O07089	Interest	16-03-2018	16-03-2018	17-09-2018
INE814O07097	Interest & Part principal	29-04-2018	27-04-2018	29-05-2018
INE814O07105	Interest & Part principal	29-04-2018	27-04-2018	29-05-2018
INE814O07121	Interest	07-02-2018	07-02-2018	07-08-2018
INE814O07139	Interest	28-02-2018	28-02-2018	28-08-2018

For, NeoGrowth Credit Private Limited


B. Ravikumar

CFO & Company Secretary



CARE/HO/RL/2017-18/5077

Mr. B Ravi Kumar
Chief Financial Officer
NeoGrowth Credit Private Limited
501, Tower 2B, One Indiabulls Centre,
841 S.B. Marg,
Mumbai-400 013,

March 30, 2018

Confidential

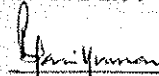
Dear Sir,

Credit rating for Non-Convertible Debenture Issue

On a review of recent developments including operational and financial performance of your company for FY17 (audited) and 9MFY18 (provisional), our Rating Committee has reviewed the following rating:

Instrument/Facility	Amount Rated (Rs. crore)	Amount Utilised as on March 21, 2018 (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures	140.60	140.60	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Total	140.60 (Rupees One Hundred Fourty crore and Sixty lakhs only)	140.60 (Rupees One Hundred Fourty crore and Sixty lakhs only)		

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For NeoGrowth Credit Pvt. Ltd.


Company Secretary

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

4th Floor, Godrej Caliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
Tel.: +91-22- 6754 3456 • Fax: +91-22- 022 6754 3457 • www.careratings.com • CIN-L67190MH1993PLC071691

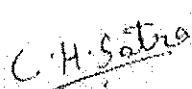
2. Please inform us the below- mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

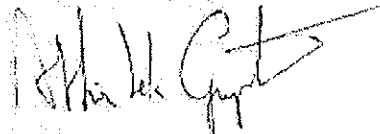
Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

3. The rationale for the rating will be communicated to you separately.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instruments, CARE shall carry out the review on the basis of best available information throughout the life time of such instruments. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
7. CARE ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,


[Chintan Satra]
 Deputy Manager
chintan.satra@careratings.com

Yours faithfully,

[Abhishek Gupta]
 Senior Manager
abhishek.gupta@careratings.com

CARE Ratings Limited
 (Formerly known as Credit Analysis & Research Limited)

4th Floor, Godrej Colliseum, Somalya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
 Tel.: +91-22- 6754 3456 • Fax: +91-22- 022 6754 3457 • www.careratings.com • CIN-L67190MH1993PLC071691



ICRA

September 12, 2017

NeoGrowth Credit Private Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Commercial Paper Programme	40.00	[ICRA]A2; Assigned
Non-convertible Debentures Programme	310.55	[ICRA]BBB (stable); Outstanding
Long Term Bank Facilities	150.00	[ICRA]BBB (stable); Outstanding
Total	500.55	

*Instrument details are provided in Annexure-I

Rating action

ICRA has assigned the rating of [ICRA]A2 (pronounced ICRA A two) to Rs. 40 crore commercial paper programme of NeoGrowth Credit Private Limited (NCPL). ICRA also has a rating of [ICRA]BBB (stable) outstanding on the Rs. 150 crore long term bank facilities and the Rs. 310.55 crore non-convertible debenture programme of NCPL.

Rationale

The rating factors in the improvement in the company's scale of operations and profitability metrics, and its stable credit costs during FY2017. The ratings also factor in the promoters' track record in the credit card payment processing segment and the management's experience in the financial services industry. The ratings also take cognisance of the company's good investor profile, comfortable asset quality and the regular equity infusion over the past 5 years. The ratings also take into account the daily repayment schedule of the company's loan products (which results in better monitoring of repayment performance), its efficient internal controls, and robust MIS and risk management systems. The ratings also factor in the comfortable liquidity and asset-liability management profile of the company.

ICRA takes note of the equity infusion of Rs. 108 crore in June 2016, which has resulted in a comfortable capital structure with gearing of 2.8 times and capital adequacy ratio of 30.49% as on March 31, 2017. ICRA also notes the company's diverse funding mix, with funds raised through non-convertible debentures issued to foreign investors, in addition to loans from NBFCs and banks. The ratings, however, continue to remain constrained by the company's limited track record, its relatively untested business model in the Indian markets and the risks associated with an unsecured portfolio. ICRA notes that the lower tenure and daily repayment structure of the loans, coupled with the judicious use of technology and data analytics in the credit appraisal process partly mitigate the risks associated with unsecured lending. However, given the company's limited track record and sharp growth in the past 18-24 months, its processes and systems are yet to be adequately tested.

While the company's focus on the largely untapped small and medium sized retailers is likely to support its yield in the near to medium term, its ability to maintain asset quality and register good quality growth would be critical for its profitability going forward.

Key rating drivers

Credit strengths

- **Strong promoter experience and management team:** NCPL is promoted by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), West Bridge Crossover Fund and IIFL Seed Ventures Fund. Prior to setting up NCPL, the promoters had founded and managed Venture

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For NeoGrowth Credit Pvt. Ltd.


Company Secretary



Infotek, that provided end-to-end card payment processing solutions for banks that issue credit cards and those with whom the merchants have the point-of-sales terminals. The promoters divested their stake in the company in 2010. ICRA takes comfort from the promoters' experience in the credit card processing segment and the company's good investor profile. ICRA also takes comfort from the management team's long standing experience and domain expertise in retail lending.

- **Robust technological systems and risk management processes:** NCPL's assets under management (AUM) grew sharply in FY2017, to Rs. 598 crore as on March 31, 2017 from Rs. 266 crore as on March 31, 2016, supported by the growth in disbursements to the new customers acquired during FY2017. ICRA takes comfort from the company's well-designed internal controls and risk management systems, and the technological expertise of the promoters. The management monitors the loan portfolio daily through an internal system which enables them to start early follow-up and recovery in case of delinquencies.
- **Strong capitalisation profile with low gearing level:** The company has raised equity every year since its inception. The latest round of capital infusion occurred in June 2016, wherein the company raised Rs. 108 crore from existing investors and a new investor. Also, with the company achieving breakeven in June 2016 and reporting net profits during FY2017, the internal accruals are expected to improve going ahead. Despite accumulated losses of Rs. 41 crore, the company's net worth stood at Rs. 156 crore as on March 31, 2017. The company's gearing was comfortable at 2.8 times as on March 31, 2017 (vis-a-vis 4.8 times as on March 31, 2016).
- **Improvement in profitability during FY2017:** Given its early stage of operations, NCPL's establishment and setup costs have been high resulting in net losses till FY2016. NCPL achieved operational breakeven in June 2016, and reported a net profit of Rs. 5.73 crore in FY2017. ICRA takes note of a reduction of ~100 bps in the company's cost of funds in FY2017, on account of lower cost of incremental borrowings. The increase in disbursement volumes in FY2017 and the availability of low cost funds led to the company's net interest margins improving to 18.3% in FY2017 from 15.9% in FY2016. The increase in scale of operations also resulted in the operating expenses (as a % of average total assets) reducing to 17.4% during FY2017 from 21.7% during FY2016. The company's credit costs also reduced to 2.1% during FY2017 from 2.5% in FY2016. Consequently, NCPL's return on assets improved to 1.3% and return on equity improved to 5.7% during FY2017 from -6.4% and -27.1% respectively in FY2016. The company's ability to further reduce its costs, maintain high yields, contain credit costs and operate profitably will be an important rating consideration going ahead.
- **Comfortable funding and liquidity profile:** The diversity in the company's funding profile increased with the raising of funds through non-convertible debentures and subordinated debt during FY2017. The company's cost of funds reduced by ~100 bps in FY2017 to 13.6% in FY2017 from 14.6% in FY2016, on account of lower cost of incremental borrowings. While the borrowings are long-term in nature, loans are of relatively shorter tenure resulting in adequate liquidity surplus in the shorter term.
- **Stable asset quality indicators:** The company reported gross NPAs of 3.16% as on March 31, 2017 (2.05% as on March 31, 2016) and net NPAs of 2.41% as on March 31, 2017 (0.32% as on March 31, 2016). However, its provision coverage ratio remains low at around 22% as on March 31, 2017. The company recognises NPAs at 120 days past due. While the company's focus on the largely untapped small and medium sized retail segment is likely to support its yields in the near to medium term, its ability to maintain asset quality while growing at an aggressive pace would be critical for profitability going forward.

Credit weaknesses

- **Limited track record of the company with focus on unsecured lending; business model untested in India:** NCPL which started its operations in FY2013 provides working capital finance to small and medium sized retailers, with sales through credit or debit card transactions. The company lends to



ICRA

these retailers against future card receivables. The clients repay in the form of daily instalments. The company currently operates through 10 branches. NCPL's assets under management (AUM) grew sharply in FY2017, to Rs. 598 crore as on March 31, 2017 from Rs. 266 crore as on March 31, 2016, supported by significant growth in disbursements primarily to the new customers acquired during FY2017. In ICRA's view, the company's track record remains limited and its business model remains to be tested in Indian market.

- **Ability to control operational risk:** The processes and systems of NCPL are yet to be tested adequately considering that the company has a limited track record and a large part of its portfolio growth occurred in the last 9-12 months. Going ahead, the company's ability to control operational risk using data intensive and automated underwriting, collection and monitoring process will remain a key rating monitorable.

Analytical approach:

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

About the company

NeoGrowth Credit Private Limited (NCPL) is a non-deposit taking and non-systematically important non-banking financial company, that started operations in FY2013. The company is promoted by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), West Bridge Crossover Fund and IIFL Seed Ventures Fund. Prior to setting up NCPL, the promoters had founded and managed Venture Infotek, that provided end-to-end card payment processing solutions for banks that issue credit cards and those with whom the merchants have the point-of-sales terminals. The promoters divested their stake in the company in 2010.

NCPL provides working capital financing to small and medium sized retailers. The loans are extended against future credit card and debit card sales, and the repayment is in the form of daily instalments. NCPL's average ticket size is around Rs. 18 lakh and its average loan tenure is around 12 months.

The company currently operates from 19 branches as on August 2017. NCPL scaled up its portfolio considerably over the past two years to Rs. 598 crore as on March 31, 2017 from Rs. 48 crore as on March 31, 2015. The company has regularly raised equity since its inception; it raised Rs. 108 crore in the last round of capital infusion in June 2016, from existing investors and a new investor.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable



ICRA

Rating history for last three years:

Table:

Sr. No.	Instrument	Current rating (FY2018)			Chronology of rating history for the past 3 years							
		Type	Rated amount (Rs. crore)	Sep 2017	FY2018		FY2017		FY2016			
					Aug 2017	Jul 2017	Nov 2016	Aug 2016	Feb 2016	Dec 2015	Oct 2015	
1	Commercial Paper Programme	Short Term	40.00	[ICRA] A2; Assigned	-	-	-	-	-	-	-	-
2	Non Convertible Debenture Programme	Long Term	65.00	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	-	-	-	-	-	-	-
3	Non Convertible Debenture Programme	Long Term	245.55	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)*
4	Long Term Bank Facilities	Long Term	150.00	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)	[ICRA] BBB- (Stable)*

*Initial Rating assigned

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in



ICRA

Annexure-I
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Rated Amount (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper programme	-	-	7-365 days	40.00	[ICRA]A2
NA	Long Term Bank Facilities (Working capital loans)	2016-17	11.00%	2017-18	5.00	[ICRA]BBB (stable)
NA	Long Term Bank Facilities (Term loans)	2015-16	13.17%	2019-20	86.06	[ICRA]BBB (stable)
NA	Unallocated	-	-	-	58.94	[ICRA]BBB (stable)
INE814O07014	Non Convertible Debenture	2015-16	13.50%	2018-19	30.00	[ICRA]BBB (stable)
INE814O07022	Non Convertible Debenture	2016-17	13.25%	2019-20	20.25	[ICRA]BBB (stable)
INE814O07030	Non Convertible Debenture	2016-17	13.53%	2019-20	40.00	[ICRA]BBB (stable)
INE814O07048	Non Convertible Debenture	2016-17	13.53%	2019-20	40.30	[ICRA]BBB (stable)
INE814O07055	Non Convertible Debenture	2016-17	13.43%	2019-20	40.00	[ICRA]BBB (stable)
INE814O07063	Non Convertible Debenture	2016-17	13.34%	2019-20	40.00	[ICRA]BBB (stable)
INE814O07071	Non Convertible Debenture	2016-17	14.20%	2019-20	35.00	[ICRA]BBB (stable)
INE814O07139	Non Convertible Debenture	2017-18	13.15% [#]	2023-24	65.00	[ICRA]BBB (stable)

Source: NeoGrowth Credit Private Limited

*Instrument yet to be placed

[#] 13.15% for the first 12 months and subsequently 12.8% for the rest of the tenor

India Ratings Affirms NeoGrowth Credit's NCDs at 'IND BBB'; Outlook Stable

22

By Praneet Nikumbh

DEC 2017

India Ratings and Research (Ind-Ra) has affirmed NeoGrowth Credit Private Limited's (NeoGrowth's) instruments as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-Convertible Debentures (NCDs)	-	-	-	INR1,575	IND BBB/Stable	Affirmed
Commercial Paper (CP)	-	-	-	INR100	IND A3+	Affirmed

Details are given in annexure

The affirmation reflects NeoGrowth's ability to sustainably implement a merchant finance-centred business model while capitalising on its promoter's two decades of experience in the fast-growing digital payment ecosystem. The ratings also derive comfort from the company's adequate liquidity profile. However, increased credit costs with pressure on asset quality as a result of the introduction of the Goods and Services Tax (GST) and demonetisation over the last 15 months, along with the company's rising leverage and the fact that operating leverage is yet to kick-in constrain the ratings.

KEY RATING DRIVERS

Comfortable Liquidity Profile: The liquidity profile derives strength from major proportion of portfolio with repayments on a daily/weekly basis. NeoGrowth had an average asset tenor of 14 months and an average liability tenor of 33 months as of 1HFY18. It had adequate short-term assets to cover liabilities in the six months to one year period with short-term assets exceeding short-term liabilities by 74.7% as of 1HFY18. On the liabilities side, NeoGrowth had moderately diversified funding profile with higher concentration in NCDs (77% of total funding; mostly from developmental financial institutions), followed by term loans (16%), CP (6.05%) and working capital demand loans (0.67%) as of 1HFY18. A substantial portion of debt is due for repayment in FY20; although Ind-Ra expects the company to adequately cover these repayments given its comfortable liquidity profile.

Experienced Promoters; First Mover Advantage: NeoGrowth's promoters have over 20 years of experience in the payments and related technologies businesses, and has pioneered many innovations. This has enabled the company to evolve a unique business model to offer customised loans to its target borrowers. NeoGrowth was also amongst the first few FinTechs in the lending space. This early mover advantage provides it the ability to innovate, test and roll-out digital solutions across various stages of the loan cycle.

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For NeoGrowth Credit Pvt. Ltd.

[Signature]
Company Secretary

Loan Book Impacted due to GST and Demonetisation: NeoGrowth operates at the higher end of the yield curve and largely caters to borrowers in segments such as food and beverages, apparel, groceries, and petrol pumps, among others with an average loan ticket size of around INR1.7 million in 1HFY18 and average loan tenor of 14 months. NeoGrowth's credit costs (including write-offs) as a percentage of total assets increased to 3.3% (total average assets of INR251.1 million) in un-annualised 1HFY18 (FY17: 1.9%; total average assets of INR86.3 million). This included one-time write-offs related to some accounts in the food and beverages and groceries segments that faced difficulties with the GST implementation and demonetisation. Ind-Ra expects credit costs to decline as the impact of these events subside. Ind-Ra also expects the steady state gross non-performing assets of the company at about 6% (1HFY18: 5.9% post write-offs, FY17: 3.1%) and credit costs of 2%-3% in the medium term.

Higher Operating Risks; Operating Leverage Yet to Kick-in: NeoGrowth has high operating costs, which were 16.6%* of average assets under management in 1HFY18 (*annualised, FY17: 18.1%) owing to branch expansion in FY18. Ind-Ra expects operating costs of 10.5%-11.5% by FY20 with emergence of economies of scale. Further, NeoGrowth faces operational risks with regards to the point of sale terminals, which may result in increased loan servicing and collection costs, thus impacting the operating expenses. A reduction in operating costs shall be a key monitorable for the ratings.

Rising Leverage Amid Stress on Capital Buffers: NeoGrowth's Tier-1 capital declined to 18.71% in 1HFY18 (FY17: 30.03%) impacted by higher credit costs of INR250 million. As a result, the company's leverage (debt/equity) increased to 5.0x in 1HFY18 (FY17: 2.7x) against Ind-Ra expected prudent leverage of about 4x. The company has planned for a substantial equity infusion in FY18, which should also lower the leverage. Given the company's short-term loans and high risk borrower profile, Ind-Ra expects the leverage to remain at around 4x. Leverage levels would be a key monitorable.

RATING SENSITIVITIES

Positive: Sustained growth in operational scale and portfolio while maintaining credit quality, diversification of funding sources, ability to raise longer tenor debt while maintaining adequate short-term liquidity, and strong capital and operating buffers would enable the company to move down the borrower risk curve, leading to a positive rating action.

Negative: Sustained high credit costs and leverage, shrinking capital and operating buffers, significant deterioration in asset quality, inability to raise equity towards leverage correction and growth capital in 2019 could lead to a negative rating action.

COMPANY PROFILE

NeoGrowth is an NBFC with 21 branches. It primarily lends to retail merchants. Its loan assets under management stood at INR8.3 billion at end-May 2017.

FINANCIAL SUMMARY

Particulars	FY17	FY16
Total assets (INR million)	6,192.70	2,696.83
Total equity (INR million)	1,562.67	440.92
Net income (INR million)	57.31	-114.55
Return on average assets (%)	1.3	-6.4
Equity/assets (%)	25.2	16.3
Capital adequacy ratio (%)	30.49	26.07
Source: Company, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	30 June 2017	27 March 2017
NCDs	Long-term	INR1,575	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable
CP	Short-term	INR100	IND A3+	IND A3+	IND A3+

ANNEXURE

Instrument	ISIN	Date of Issue	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
NCDs	INE814007089	16 March 2017	13.55	16 March 2020	INR325	IND BBB/Stable
NCDs	INE814007097	29 March 2017	13.35	29 September 2018	INR250	IND BBB/Stable
NCDs	INE814007113	11 July 2017	12.60	17 July 2020	INR860	IND BBB/Stable
NCDs (Unutilised)	-	-	-	-	INR140	IND BBB/Stable
Total					INR1,575	
CP	INE814014010			28 December 2017	INR100	IND A3+

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Applicable Criteria

Financial Institutions Rating Criteria
Rating FI Subsidiaries and Holding Companies

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