

CareEdge Global assigns 'CareEdge B-/Stable' to Vedika Credit Capital Limited

USD 5 million external commercial borrowing	CareEdge B-/Stable
USD 5 million external commercial borrowing (Proposed)	CareEdge B-/Stable

CareEdge Global has assigned a '**CareEdge B-/Stable**' rating to Vedika Credit Capital Limited's (VCCL) USD 10 million external commercial borrowing facilities.

VCCL is a Ranchi-based microfinance institution (MFI) that provides unsecured micro-enterprise loans (business loans) primarily to women borrowers, specifically for working capital or growth needs for shops, dairy farms, and e-rickshaws. As of June 30, 2025, the company had an asset under management (AUM) of Rs 1476 Crore.

Rating Rationale

The rating is driven by a healthy capitalisation position of ~30% as of March 31, 2025, resulting in a comfortable leverage ratio of ~3.5x. In addition, the company has grown its AUM at a compounded annual growth rate (CAGR) of ~23% from fiscal 2021 to fiscal 2025 without expanding the branch network. This indicates the management experience and the company's vintage in its core geographic area of operations. With an AUM of Rs 1,476 crore, it is a leading MFI that operates solely in the eastern region of the country.

With gross non-performing assets (GNPA) at ~2%, along with low credit costs of around 1% as of March 31, 2025, VCCL exhibits better asset quality metrics among its peers in the microfinance industry. The delinquencies (0+) have also decreased from 5% as of March 31, 2025, to 4.5% as of June 30, 2025, due to prudent underwriting and risk management practices. The company has also reported a healthy return on assets (RoA) of ~2.5% and a return on equity (RoE) of ~12% for fiscal 2025, indicating strong profitability metrics. However, sustaining asset quality at current levels would be crucial for the company and will be closely monitored.

These rating strengths are partly offset by the credit risk associated with the weak profile of the borrowers, the unsecured asset class, and the industry, which often sees such risk materialise in the form of deteriorating asset quality, as seen in fiscal 2025. Additionally, the company is transitioning from Joint Liability Group (JLG) loans, which have low tenor (<24 months) and low-ticket size (<Rs 1.5 lakhs), to micro-enterprise loans with higher ticket sizes (<Rs 10 lakhs) and longer tenor loans (24 to 96 months). This has elevated the credit risk since the repayment behaviour of this portfolio has not yet been time-tested against macroeconomic shocks and external vulnerabilities.

The rating is also constrained by the modest size of the AUM. As per the Reserve Bank of India (RBI), the Non-banking Financial Company (NBFC) – MFIs are categorised into three tiers based on their size. VCCL is categorised as a tier-2 NBFC-MFI. Further, VCCL has a market share of less than 1% in the states it operates. This proportion is modest when compared to its peers in the same geography, such as Muthoot Microfin and CreditAccess Grameen.

Outlook:

The stable rating outlook indicates CareEdge Global's expectation that VCCL will continue to maintain strong capitalisation and comfortable leverage while continuing to grow the AUM in its key areas of operations.

Rating Sensitivities

Upward factors:

- Significant growth in the AUM while maintaining asset quality
- Higher geographic and product diversification resulting in mitigating risk associated with unsecured lending

Downward factors:

- Weakening of capital structure with either leverage going beyond 4x or capitalisation (CAR) going below 20%
- Increase in credit costs or operating expenses resulting in adverse impact on RoA on a sustained basis

Analytical Approach

CareEdge Global has assessed the business and financial risk profile of VCCL on a standalone basis, in accordance with the financial institution rating methodology. The company doesn't have any subsidiaries / JV / associates. It doesn't have any material transactions with other group companies and is held directly by promoters.

Key Rating Drivers

Strengths

High Capitalisation buffers and comfortable leverage provide headroom for growth

VCCL has a strong capitalisation profile with a Capital Adequacy Ratio (CAR) of ~30% as on March 31, 2025. To maintain capitalisation and leverage levels, the company is bringing in equity in a timely manner, and an equity infusion is expected around June 2026, via fresh issuance at the time of the planned IPO. As per their historical levels of CAR, CareEdge Global believes that VCCL will maintain a buffer of 5-10% above regulatory CAR levels.

VCCL has a board-approved leverage (debt/equity) policy of 4x, whereas the internal thresholds are 3.5x, to keep debt levels in check. The company had exceeded a leverage level of 4.5x in fiscal 2024; therefore, it raised additional equity of Rs 20 crore in March 2024 and Rs 50 crore in June 2024, respectively, to reduce it to 3.5x as of March 31, 2025. With an expected growth of ~15% in AUM and further equity infusion through fresh issuance, capitalisation and leverage are expected to remain strong.

Long history of business and experience of management in MFI

VCCL has been in microfinance lending for around 20 years and has successfully navigated multiple cycles of economic downturns, sector-specific challenges, and black swan events, such as COVID-19 and the 2008 financial crisis. This underpins its effective risk management and growth policies, which have been tested over time. The company's promoter, Mr Gautam Jain, has established and grown the business gradually, possessing extensive experience in the unsecured micro lending space. He is supported by a team of management professionals who have been with the company for 10-15 years and possess a deep understanding of the company's cultural values and policies, as well as its approach to sustainable growth.

Since fiscal 2021, VCCL has experienced significant business expansion without increasing its branch count. The company now plans to add 40 new branches by March 31, 2026, reflecting its strong grasp of the regional market.

Adequate Asset Quality, despite stress in the microfinance industry¹

VCCL maintains a healthy asset quality, with Gross Non-Performing Assets (GNPAs) at approximately 2% and credit costs around 1% as on March 31, 2025. These figures are below the industry average at ~5.4% as of March 31, 2025, as reported by MFIN (Microfinance Industry Network). Despite elevated stress levels across the sector and a rise in NPAs among several companies, VCCL's books have seen a reduction in delinquencies across all buckets from March 2025 to June 2025. The company has demonstrated resilience in its loan portfolio. This stability is largely due to its robust underwriting standards and region-specific collection strategies.

Weaknesses

A modest scale of business (AUM) and asset classes are inherently susceptible to risks

VCCL's AUM of Rs 1476 crore is small compared to peers, positioning the company as a mid-tier MFI. Approximately 70% of VCCL's portfolio is concentrated in the states of West Bengal, Bihar, and Jharkhand, and the same is not expected to change materially. VCCL holds a modest market share of less than 1% in the gross loan portfolio across the states where it operates.

The company primarily extends unsecured loans to small and marginal shopkeepers, dairy farmers, and e-rickshaw owners. This borrower segment is particularly vulnerable to macroeconomic shocks. Given the low per-capita income and the geographic concentration in financially underserved regions, VCCL faces heightened exposure to external economic disruptions.

¹ As per Mfin's report "Micrometer" of Q1FY26 and Q4FY25

Transition towards higher ticket and tenor loan segments exposes to asset quality risk related to low seasoning

VCCL previously maintained a well-established portfolio of Joint Liability Group (JLG) loans. However, due to rising stress in this segment, the company is transitioning from low-ticket (less than Rs 1,50,000) and short-tenor (less than 24 months) JLG loans to Micro-Enterprise Loans (MEL), which offer higher ticket sizes ranging from Rs 75,000 to Rs 10,00,000 and longer tenors between 24 and 96 months.

This change is expected to significantly alter the company's portfolio characteristics, including average loan tenor, ticket size, and yield. As a result, it exposes it to potential risks associated with entering relatively uncharted territory.

In addition to MEL, VCCL plans to introduce new product lines such as e-rickshaw loans and consumer durable loans (lifestyle loans), each with distinct ticket sizes, yields, and tenors. While these products carry seasoning or vintage risk due to their novelty, comfort is drawn from the borrower base, which is relatively mature and has undergone multiple loan cycles.

Liquidity

VCCL has a moderate liquidity of nearly Rs 124 crore as of June 30, 2025, to cover its short-term debt maturities. This balance comprises cash and bank balances along with highly liquid investments. The company has a policy of investing 60% of its funds in highly liquid assets to generate marginal returns from those funds.

With the transition of the product line in the company, the average tenure of advances and borrowings is expected to be impacted. However, the company would still have a positive ALM in the near term, suggesting prudent liquidity management.

Environmental, Social and Governance (ESG) considerations

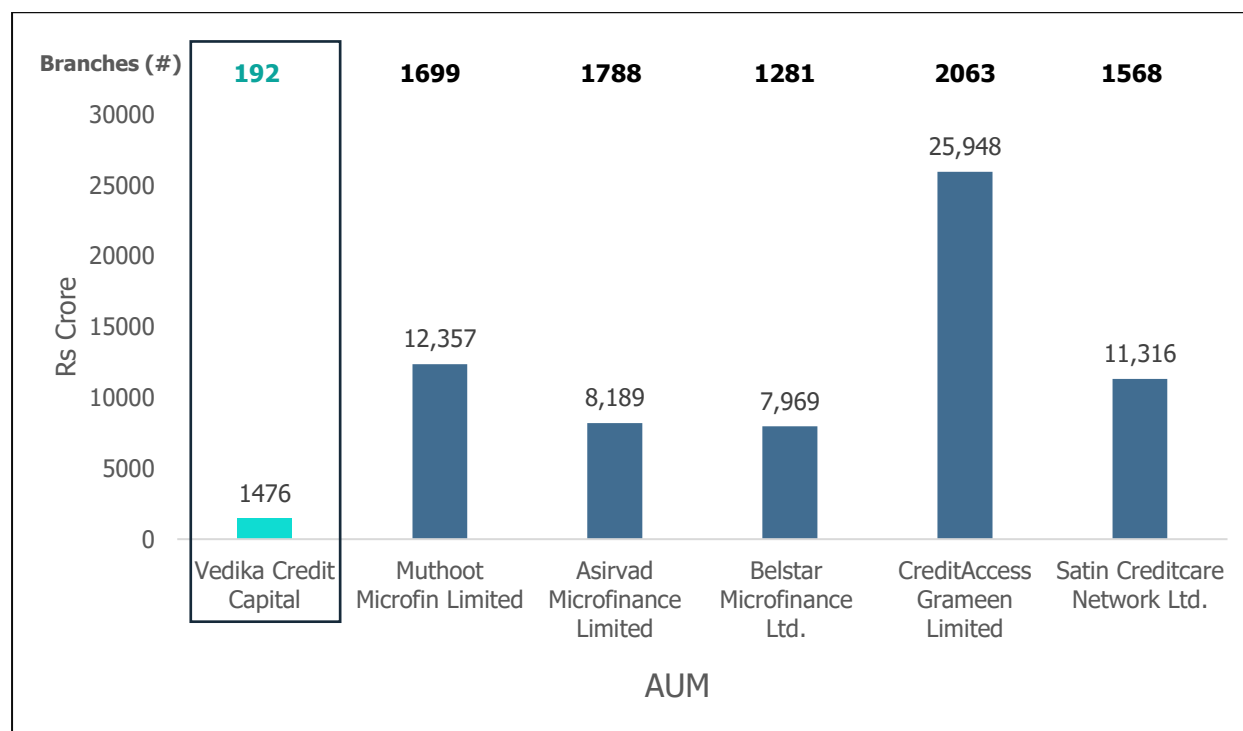
VCCL demonstrates a strong commitment to ESG through targeted environmental, social, and governance practices. Environmentally, it promotes green mobility by financing thousands of e-rickshaws, conducting tree-planting drives, achieving 87% digital disbursements through e-KYC, and adopting cloud infrastructure to reduce energy consumption. Socially, it has empowered nearly four lakh clients, particularly first-generation women entrepreneurs, through microfinance and financial literacy programs, while maintaining 97% client grievance resolution and 91% employee satisfaction. In terms of governance, VCCL ensures over 98% weekly audit compliance, sustains a Zero Net NPA, and upholds high standards with an A- (Stable) credit rating, MFI-1 grading, and ISO 27001 certification.

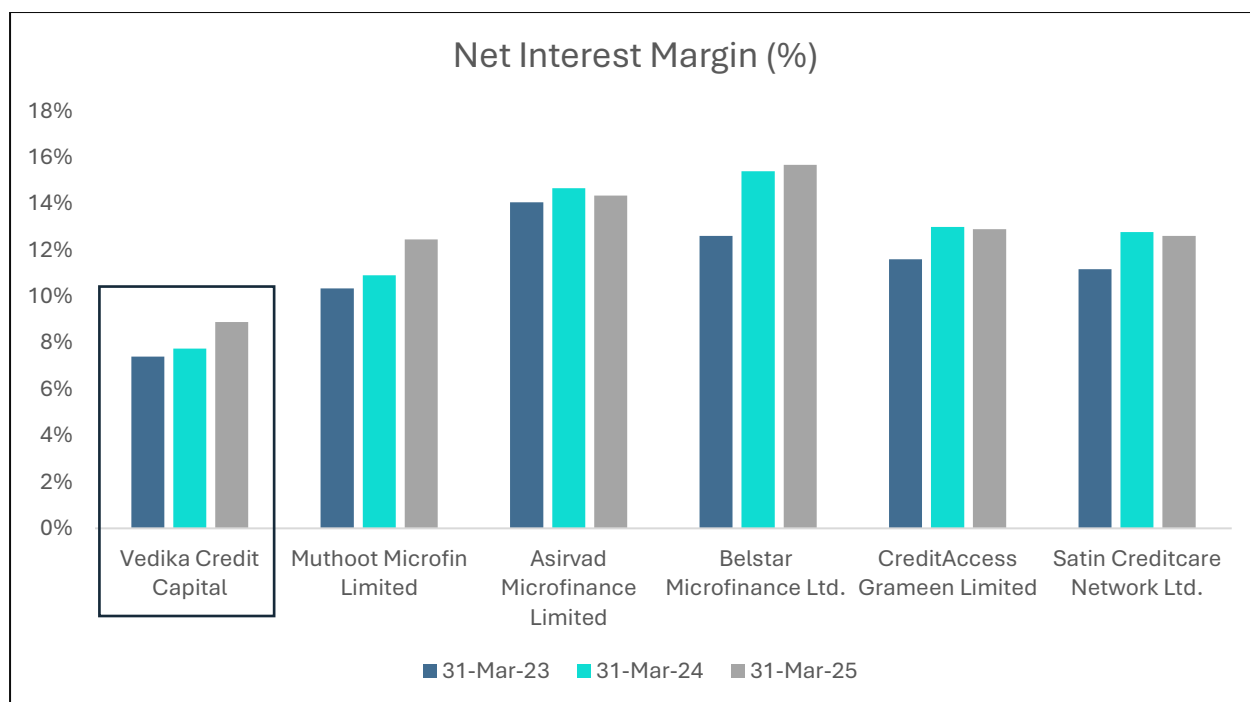
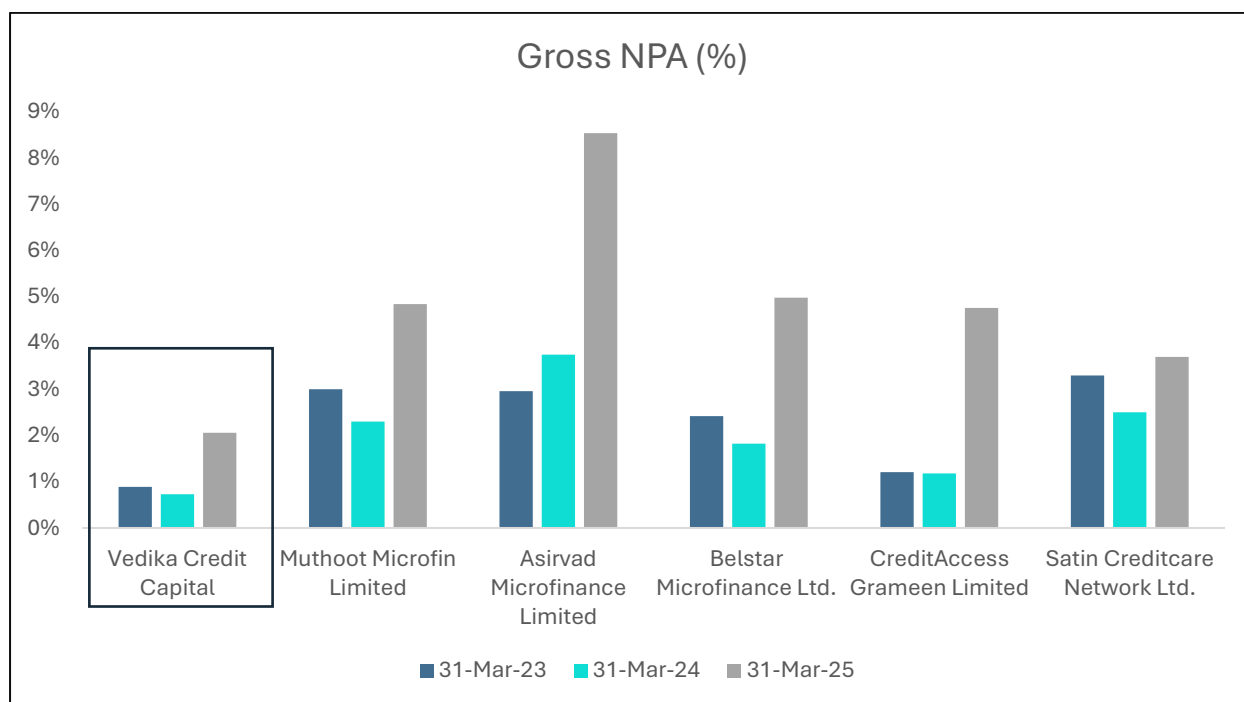
About the Company

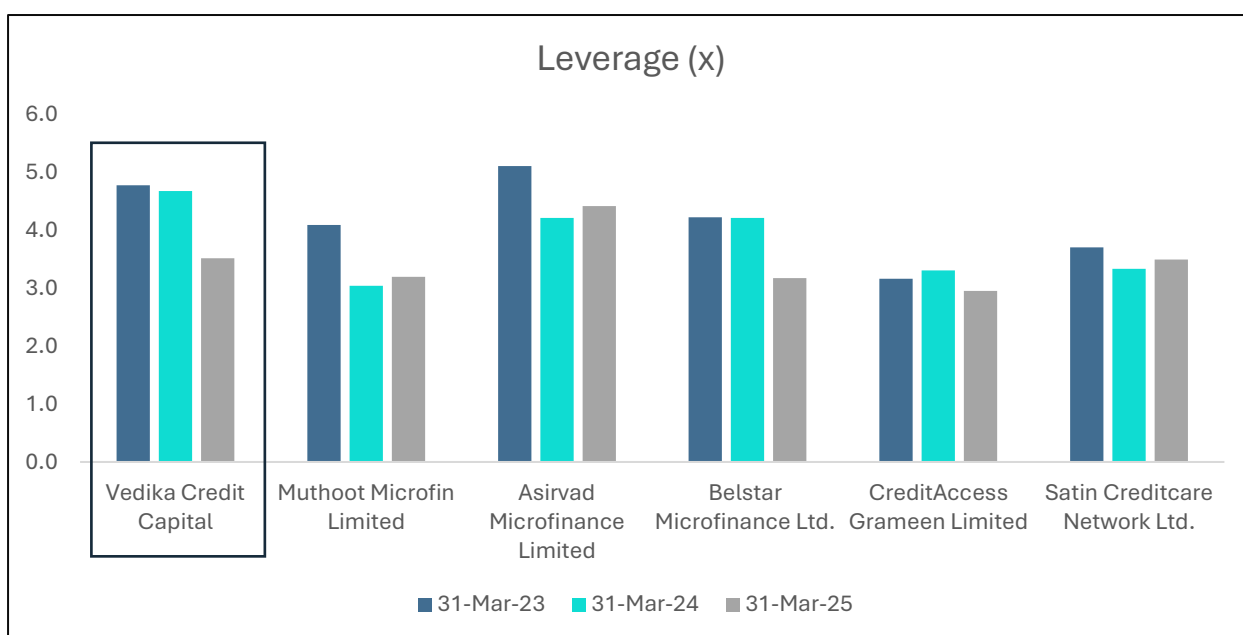
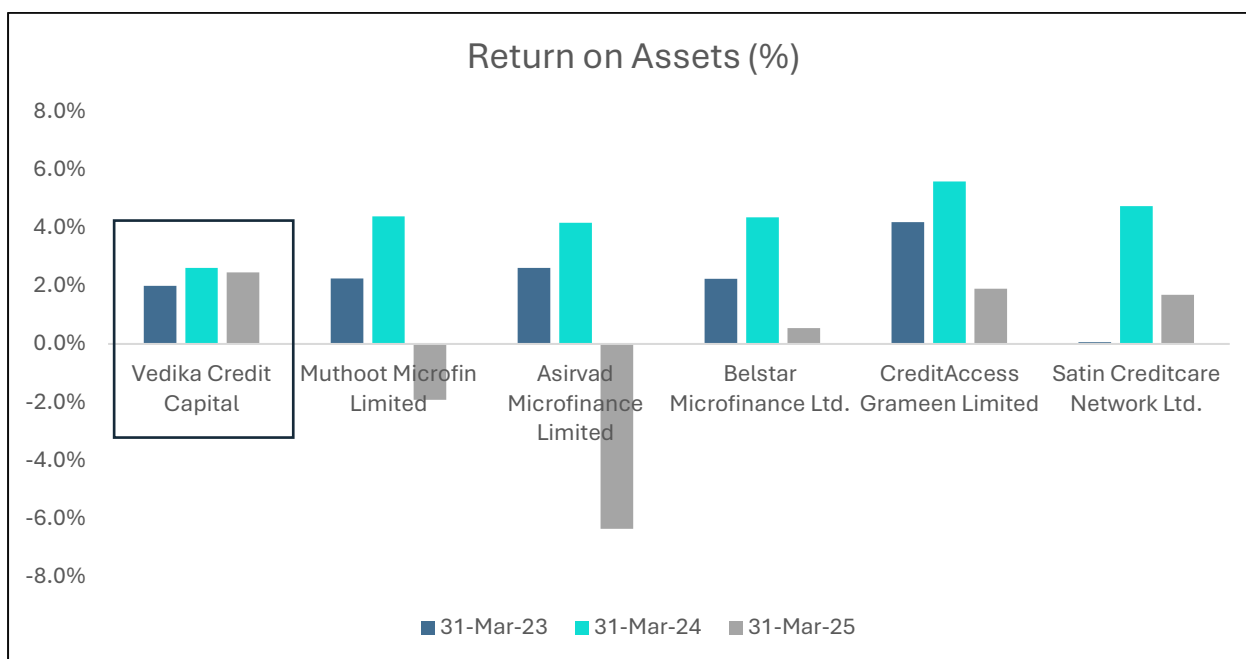
VCCL is a non-deposit-taking Non-Banking Financial Company – Microfinance Institution (NBFC-MFI), focused on offering micro-enterprise loans to support the entrepreneurial and livelihood aspirations of low-income borrowers. Initially incorporated as a private limited company in 1995, VCCL was converted into a public limited company within the same year. It received its NBFC registration from the RBI in 1998. The company was acquired in 2004 by its current promoters, Mr Gautam Jain (Chairman and Managing Director) and Mr Vikram Jain, who transitioned it from conventional financing to a microfinance platform.

Since 2007, VCCL has focused on Joint Liability Group (JLG) and individual loan products, gradually expanding its network to over 190 branches across seven states. As of June 30, 2025, the company reported Assets Under Management of Rs 1476 crore, with a primary focus on the states of West Bengal, Bihar, and Jharkhand.

Comparison with other Microfinance Institutions







Key Summary Financial Metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs crore	1,097	1,379	1,452
Net Interest Margin	%	7.4	7.8	8.9
Cost to Income	%	63.7	66.1	57.4
GNPA	%	0.9	0.7	2.1
Return on Assets	%	2.0	2.6	2.5
CAR	%	22.6	23.5	29.7

Rating History

Instrument	Type	Rating	Date
External Commercial Borrowing	Long-Term Foreign Currency (Solicited)	CareEdge B-/Stable	September 27, 2025

Criteria Applied

[CareEdge Global's Rating Methodology for Financial Institutions](#)

Analytical Contacts

Ankit Kedia

Ankit.kedia@careedgeglobal.com

Abhilash Dash

Abhilash.dash@careedgeglobal.com

Smit Doshi

Smit.doshi@careedgeglobal.com

Media Contact

Mradul Mishra

mradul.mishra@careedge.in

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CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
CIN-U66190GJ2024PLC151103