



Rating Rationale

Uttrayan Financial Services Private Limited

20 Feb 2019

Brickwork Ratings assigns the rating of BWR BBB (Outlook: Stable) for the enhanced amount of bank loan facilities of Rs 68.22 Crs and reaffirms the rating of the bank loan facilities of Rs 129.04 Crs at BWR BBB (Outlook: Stable) of Uttrayan Financial Services Private Limited (“UFSPL” or “the Company”).

Particulars

Facility/ Instrument	Amount (Rs Crs)		Tenure	Previous Rating	Present Rating*
	Previous	Present			
Cash Credit	10.00	10.00	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable) 'Reaffirmed'
Term Loans	119.04	119.04	Long Term		
Term Loans	0.00	68.22 #	Long Term	--	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable) 'Assigned'
Total	129.04	197.26		INR One Hundred Ninety Seven Crores and Twenty Six Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Includes Rs 15.00 Crs of loans which are sanctioned, but not availed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY18, provisional financials up to Dec 2018, publicly available information and information/clarifications provided by the management.

BWR has assigned the rating of BWR BBB (Outlook: Stable) for the enhanced amount of bank loan facilities of Rs 68.22 Crs and reaffirmed the rating of the bank loan facilities of Rs 129.04 Crs at BWR BBB (Outlook: Stable). The rating continues to factor the experienced management, low NPA levels, high profitability and favourable ALM position. However, the ratings are constrained by moderate scale of operations, geographic concentration, higher gearing and socio political risks inherent in the MFI industry.



Going forward, ability of the company to reduce the geographic concentration, infuse the envisaged equity, increase its total portfolio book and effectively maintain its asset quality will remain key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced management:** The company has well qualified promoters and experienced management. Mr. Kartick Biswas and Mr. Apu Dhar are the founders and whole time directors. Both the directors have vast experience in the field of microfinance. The Board also has 2 non-executive directors and 1 nominee director.
- **Comfortable asset quality:** The collection efficiency of the company is more than 98%. The company's GNPA and NNPA stood at 0.68% and nil as of March 31, 2018, as compared to GNPA of 0.33% and nil NNPA as of March 31, 2017.
- **High Profitability:** The company's net profit has increased from Rs 2.65 Crs in FY17 to Rs 5.53 Crs in FY18, mainly due to decrease in employee cost as a % to total operating income (14.83% in FY18 as against 22.33% in FY17). The return on avg. assets increased from 3.40% in FY17 to 3.82% in FY18.
- **Favourable ALM position:** As per the ALM position as on Dec 31, 2018, there are no mismatches up to 3 years. Nearly 87% of the total portfolio is for a tenure up to 12 months and its borrowings are for a tenure of 24 to 48 months. Company has maintained cash and cash equivalents of Rs 10.07 Crs and FDRs (margin money) with banks of Rs 16.97 Crs as on Dec 31, 2018.

Credit Risks:

- **Geographic concentration:** UFSPL currently operates in 8 states. However the top 3 states viz. West Bengal, Assam and Bihar constitute ~ 93% of total portfolio as on Dec 31, 2018, with majority of portfolio (~69%) being from West Bengal. This exposes UFSPL to geographic concentration risk. Company has to expand operations in other states to diversify the geographic risk.
- **Moderate scale of operations:** The company has a total portfolio of Rs 185.65 Crs as of March 31, 2018. UFSPL currently operates in 8 states with 87 branches across 38 districts. UFSPL has an active borrower base of ~ 1.43 lakh borrowers. The total portfolio has increased to Rs 215.90 Crs as of Dec 31, 2018. This includes on-book portfolio of Rs 178.86 Crs and BC (managed) portfolio of Rs 37.04 Crs.
- **High Gearing:** Gearing has improved from 7.52 times as on March 31, 2018 to 6.62 times as on



Dec 31, 2018. Adjusted Gearing [Total Debt / TNW (excluding OCPS)] has improved to 7.76 times as on Dec 31, 2018 from 9.24 times as of March 31, 2018. The tangible net worth of the company has increased from Rs 16.39 Crs as of March 31, 2017 to Rs 20.79 Crs as of March 31, 2018 due to retention of profits earned during the year. The tangible net worth has further increased to Rs 26.82 as of Dec 31, 2018. Company expects to raise equity of ~Rs 10 Crs in FY20. This is critical and a key monitorable.

Analytical Approach

For arriving at its ratings, BWR has evaluated the risk profile of UFSPL on a Standalone basis and applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). UFSPL has no subsidiaries or associate companies.

Rating Outlook: Stable

BWR believes **Uttrayan Financial Services Private Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company shows considerable growth in AUM along with geographic diversification and without deterioration in the capital structure. The rating outlook may be revised to 'Negative' if the capital structure deteriorates with deterioration in asset quality.

About the Company

Uttrayan Financial Services Private Limited (UFSPL) is a Kolkata based Non-Banking Finance Company – Microfinance Institution (NBFC-MFI). In October 2008, UFSPL was taken over by the current promoters, Mr. Kartick Biswas and Mr. Apu Dhar, with the objective of transferring its microfinance loan portfolio from an NGO [Sahara Uttrayan (SU)] to a NBFC. Subsequently, the entire loan portfolio of SU was transferred to UFSPL in Feb 2009. UFSPL follows Joint-Liability Group (JLG) lending model to offer loans to women borrowers.

Company's Financial Performance

The total portfolio stood at Rs 185.65 Crs as on March 31, 2018 as against Rs 137.78 Crs as on March 31, 2017. For FY18, the company reported total income from operations of Rs 35.64Crs and net profit of Rs 5.53 Crs. Tangible Net Worth (excluding OCPS) stood at Rs 17.29 Crs as on March 31, 2018 as against Rs 14.14 Crs in previous year. During the first 9 months of FY19, UFSPL reported total income from operations of Rs 35.20 Crs and net profit of Rs 6.36 Crs (provisional). GNPA and NNPA were 0.59% and nil as on Dec 31, 2018. CRAR stood at 18.35% as on Dec 31, 2018.

Key Financial Indicators	Units	2017	2018
Result Type		Audited	Audited
Total Income from Operations	Rs in Crs	20.20	35.64
Net Income from Operations	Rs in Crs	12.20	18.78
PAT	Rs in Crs	2.65	5.53
Tangible net worth	Rs in Crs	16.39	20.79
Gearing	In times	5.08	7.52
Total portfolio	Rs in Crs	137.78	185.65
CRAR	%	22.45	18.02
GNPA	%	0.33	0.68
NNPA	%	0.00	0.00

Rating History for the last three years

S.No	Facility	Current Rating (Feb 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs in Crs)	Rating	8.03.18	2017	2016
1.	Term Loans	Long Term	68.22 #	BWR BBB (Outlook: Stable) 'Assigned'	NA	NA	NA
2.	Cash Credit	Long Term	10.00	BWR BBB (Outlook: Stable) 'Reaffirmed'	BWR BBB (Outlook: Stable)	NA	NA
3.	Term Loans	Long Term	119.04	BWR BBB (Outlook: Stable) 'Reaffirmed'	BWR BBB (Outlook: Stable)	NA	NA
Total			197.26	INR One Hundred Ninety Seven Crores and Twenty Six Lakhs Only			

Includes Rs 15.00 Crs of loans which are sanctioned, but not availed.

Status of non-cooperation with previous CRA: Not Applicable

Any Other Comments: NA

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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