

Press Release
Saija Finance Private Limited
September 22, 2022
Rating Downgraded & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Sh kumar
Non Convertible Debentures (NCD)	53.50	ACUITE BB+ Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	53.50	-	-

Rating Rationale

Acuite has downgraded the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 53.50 Cr bank facilities of Saija Finance Private Limited (SFPL). Further, the rating stands withdrawn.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for the downgrade

The revision in rating is on account of decline in scale of operations, deterioration in asset quality and resulting impact on profitability and networth. The company's AUM declined to Rs. 113.57 Cr. as on March 31, 2022 as compared to Rs 195.85 Cr as on March 31, 2021. SFPL's asset quality also deteriorated marked by GNPA of 12.53 percent as on March 31, 2022 (owned portfolio); 14.77 percent as on March 31, 2021 (owned portfolio). This in turn, has led to higher credit costs and decline in the profitability. The company reported losses of Rs. 28.09 Cr. for FY2022 (losses of Rs. 32.51 Cr. for FY2021). Such significant losses have further led to erosion in the net worth for FY2022 which stood at Rs. 12.79 Cr. as against Rs 33.63 Cr. as on March 31, 2021.

However, the rating takes into account the managerial and technical support provided by Dvara KGFS and infusion of Rs. ~7 Cr. for 25.90 percent stake. Dvara KGFS is currently also supporting SFPL via Business Correspondence partnerships.

Acuite expects that the operational performance shall improve gradually on the execution of the proposed takeover of the management by Dvara KGFS. Any deviation in the proposed plan will have a further impact on SFPL's credit profile.

About the company

Incorporated in the year 1997, Saija Finance Private Limited (SFPL) is a Bihar based "NBFC-MFI", in the name of Regars Finance Pvt Ltd. The company obtained license from Reserve Bank of India as a Non-Deposit taking NonBanking Finance Company in 2009. It was reclassified as NBFC-MFI in 2013 by the RBI. The company was founded by Mr. Sashi Ranjan Sinha and Ms. Rashmi Sinha. SFPL is engaged in providing microfinance services to rural, semi-urban and urban poor, as well as micro and small businessmen under the Joint Liability Group Model (JLG) in the Northern & Eastern India. As on June 30, 2022, the company reported AUM of Rs 148.98 Cr. spread across 5 States, namely, Bihar, Jharkhand, Uttar Pradesh, Haryana and Punjab.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SFPL to arrive at

the rating.

Key Rating Drivers

Strength

Experienced management

The company is promoted by Mr. Sashi Ranjan Sinha and Mrs. Rashmi Sinha. Both the promoters have over three decades of experience in banking and financial services sector and administration of corporates. In the year 2009, Accion Investments invested in the company for 45.20 percent stake. In the year 2011, Pragati Investments Fund Limited (PIFL, a UK based fund) invested in the company. In October 2021, Dvara KGFS invested Rs. ~7 Cr. for acquiring 25.90 percent stake in SFPL. They have further applied to the concerned authorities for acquiring 100 percent stake in SFPL. Currently, Dvara KGFS also extends support in the form of technology and manpower to aid SFPL's day-to-day operations. As on June 30, 2022, Accion and PIFL held ~65% of the stake in the company. The board members have experience in the fields of microfinance, banking, and financial services industry.

The company has geographical presence in the states of Bihar, Jharkhand, Uttar Pradesh, Haryana and Punjab and an Asset under Management (AUM) of Rs. 148.98 Cr. as on June 30, 2022. Though the company's AUM had declined as on March 2022 (Rs. 113.57 Cr.), it is expected to improve gradually with company undertaking managed book transactions i.e business correspondence. Acuité believes that presence of the experienced promoters in the microfinance segment along with expected support from Dvara KGFS will be central to support the business risk profile of the company.

Weakness

Decline in scale of operations and geographically concentrated portfolio

The company's scale of operations declined with AUM of Rs. 113.57 Cr. as on March 31, 2022 as compared to Rs 195.85 Cr as on March 31, 2021 (Rs 304.69 Cr as on March 31, 2020 and Rs.517.65 Cr as on March 31, 2019). The portfolio declined on account of challenges and delays in raising funds. SFPL has presence in five states with concentration in Bihar (~62 percent of the overall portfolio as on March 31, 2022) followed by Jharkhand (19 percent). This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework thereby impacting credit profile of SFPL.

Acuité believes that geographic concentration in its portfolio coupled with the inherent risk in microfinance segment will continue to weigh on the company's credit profile over the near to medium term.

Deterioration in asset quality and resulting impact on profitability and network

Given the challenges and accumulated overdue recoveries, the delinquencies have increased and the company reported a GNPA at 12.53 percent as on March 31, 2022 (owned portfolio) as against 14.77 percent as on March 31, 2021 (owned portfolio). This in turn, has led to higher credit costs and decline in the profitability in FY2022. The company reported losses of Rs. 28.09 Cr. for FY2022 (Rs 32.51 Cr. for FY2021). Such significant losses have further led to erosion in the net worth for FY2022 which stood at Rs. 12.79 Cr. as against Rs 33.63 Cr. as on March 31, 2021. While the company's current collection efficiency has been improving since Q1FY2022, the overdue recoveries is expected to remain uncertain in the near term.

Acuité believes, given the challenges, the company's ability to manage the additional slippages while maintaining the portfolio collections will be crucial.

Rating Sensitivity

Not applicable

Material Covenants

SFPL is subject to covenants stipulated by its lenders/investors in respect of various

parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

SFPL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated June 30, 2022. While the company's current month collections have been improving since Q1FY2022, future liquidity position will hinge upon the company's ability to raise resources while continuing to achieve optimal portfolio collections.

Outlook : Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	115.01	210.83
Total Income*	Rs. Cr.	0.64	28.51
PAT	Rs. Cr.	-28.09	-32.51
Net Worth	Rs. Cr.	12.79	33.63
Return on Average Assets (RoAA)	(%)	-17.24	-12.09
Return on Average Net Worth (RoNW)	(%)	-121.01	-65.01
Debt/Equity	Times	7.66	5.10
Gross NPA	(%)	12.53	14.77
Net NPA	(%)	3.49	1.12

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

Not applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Sep 2021	Non Convertible Debentures	Long Term	6.67	ACUITE BBB- (Ratings Under Watch)
	Proposed Non Convertible Debentures	Long Term	33.50	ACUITE BBB- (Ratings Under Watch)
	Non Convertible Debentures	Long Term	3.33	ACUITE BBB- (Ratings Under Watch)
	Non Convertible Debentures	Long Term	10.00	ACUITE BBB- (Ratings Under Watch)
10 Nov 2020	Non Convertible Debentures	Long Term	10.00	ACUITE BBB- Negative (Assigned)
	Non Convertible Debentures	Long Term	23.50	ACUITE BBB- Negative (Assigned)
	Proposed Non Convertible Debentures	Long Term	10.00	ACUITE BBB- Negative (Assigned)
	Non Convertible Debentures	Long Term	10.00	ACUITE BBB- Negative (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Microfinance Initiative for Asia	Not Applicable	Non-Convertible Debentures (NCD)	22-12-2017	13.45	22-12-2022	3.33	ACUITE BB+ Downgraded & Withdrawn
Microfinance Initiative for Asia	Not Applicable	Non-Convertible Debentures (NCD)	30-07-2018	12.72	30-07-2023	6.67	ACUITE BB+ Downgraded & Withdrawn
State Bank of India	Not Applicable	Non-Convertible Debentures (NCD)	12-08-2020	12.00	06-08-2022	10.00	ACUITE BB+ Downgraded & Withdrawn
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	33.50	ACUITE BB+ Downgraded & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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