

Press Release

ANIK Financial Services Private Limited

September 08, 2021



Rating Upgraded

Total Bank Facilities Rated	Rs. 5.00 Cr.
Long Term Rating	ACUITE BB/ Stable (Upgraded)

*Refer annexure for details

Rating Rationale

Acuité has upgraded the long term rating on the Rs. 5.00 Cr. bank facilities of ANIK Financial Services Private Limited (AFPL) from '**ACUITE BB-**' (**read as ACUITE double B minus**) to '**ACUITE BB**' (**read as ACUITE double B**). The outlook is '**Stable**'.

Reason for Upgrade

The rating upgrade takes into account AFPL's established presence in its area of operations, experienced management and the company's ability to maintain healthy asset quality which is expected to augur well for the company over the near to medium term. The rating factors in AFPL's comfortable capitalisation levels and asset quality metrics. AFPL's CAR stood at 28.15 percent as on March 31, 2021. While Acuite takes cognizance of asset quality challenges in the micro finance sector, AFPL has been able to maintain healthy asset quality on account of its agri based borrower profile and rural focused operations. The company's on-time portfolio stood at 96.76 percent with a GNPA of 0.32 percent as on June 30, 2021. Likewise, average collection efficiency for six months ended June 30, 2021 stood at 90.82 percent. The rating is however, constrained by modest scale of operations, limited financial flexibility and capital raising ability, geographic concentration and risks inherent to micro finance sector. Going forward, the company's ability to bolster its capitalization levels and profitably expand its scale of operations shall be key monitorables.

About AFPL

Maharashtra based Anik Financial Services Private Limited (AFPL) is a NBFC-MFI engaged in microfinance lending by way of extending credit through Self-Help Group (SHG) and Joint Liability Group (JLG). AFPL is promoted by Savitribai Phule Mutual Benefit Trust (SPMBT). SPMBT is a federation of SHG's in their respective districts registered as Mutual Benefit Trust. AFPL commenced its microfinance as a Mutual Benefit Trust in 2002 and later the promoters acquired an existing NBFC and transferred the operations to AFPL in 2009.

AFPL currently operates in Maharashtra with its network of 5 branches spread across 4 districts as on March 31, 2021.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established management in micro-finance segment**

AFPL is engaged in extending microfinance to women involved in income generating activities under SelfHelp Group (SHG) model. The company has also adopted the Joint Liability Group (JLG) model from 2019 along with SHG. Lending through JLG model now comprise around 72 percent of the portfolio outstanding as on March 31, 2021. AFPL operates in 4 districts of Maharashtra with its network of 5 branches, one in each of the three districts and two in Osmanabad. The company's loan portfolio stood at Rs. 18.68 Cr. as on March 31, 2021 as compared to Rs. 13.93 Cr. as on March 31, 2020 and Rs. 11.38 Cr. as on March 31, 2019. AFPL's promoters have over two decades of experience in micro finance lending.

The promoters started their micro lending operations in the form of trusts named Savitribai Phule Mutual Benefit Trust since 2002 and later in 2009 started operating through AFPL as a NBFC-MFI. The board is led by Mr. Subhash Tagare (Chairman) and Mr. Jayaji Paikrao (Founder & Vice Chairman) and supported by 6 other directors. The company has on board Mr. Vikramjit Mehmi (Director) who has over 3 decades of experience in corporate sector and has previously been the CEO at Idea Cellular, Birla Sun Life Insurance & Suzlon Green Power (India). AFPL also benefits from Mr. Hemant Valvekar's (Director) vast experience in the microfinance segment with his stint of over a decade at BASIX and also having worked for RBL Bank as a senior advisor in developing their Financial Inclusion and Business Correspondence vertical. Mr. Hemant Valvekar has been associated with AFPL since the very beginning and was instrumental in transitioning the business from trusts to NBFC-MFI.

AFPL's loan portfolio stood at 18.68 Cr. as on March 31, 2021 as compared to Rs. 13.93 Cr. as on March 31, 2020 and Rs. 11.38 Cr. as on March 31, 2019. The prudent underwriting policies adopted by the management has enabled the company to maintain a sound asset quality with an on-time portfolio at 98.45 percent as on March 31, 2021 and gross non-performing assets (GNPA) at 0.32 percent. The sound asset quality was further reflected with an average collection efficiency of 90.82 percent for 6 months ended June 30, 2021.

Acuité believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

Weaknesses

- Modest scale of operations; scalability of business yet to be demonstrated**

AFPL has been in the micro-finance lending segment since 2009. The company registered a growth in its loan portfolio of Rs. 18.68 Cr. as on March 31, 2021 (Rs. 13.93 Cr. as on March 31, 2019). AFPL's financial performance has been broadly stable. The company's profitability margin remained moderate as reflected in its Return on Average Assets (RoAA) of 0.51 percent as on March 31, 2021 as compared to 0.55 percent as on March 31, 2020 mainly on account of higher Operating Expenses to Earning Assets ratio which stood at 9.15 percent as on March 31, 2021 as compared to 10.52 percent as on March 2020. While the company has scaled up its loan portfolio steadily over the years, the profitability of AFPL has remained moderate as indicated by RoAA.

Going forward, the company's ability to attract equity and debt capital will be a key factor in the scalability of the business. Further, the impact of Covid-19 may also impair the scalability of business operations, which has currently disrupted access to funds, collections and disbursement processes for most of the NBFCs.

Acuité believes, going forward, the ability of the company to mobilize additional funding through debt /equity and its ability to deploy the funds profitably while maintaining its asset quality will be key rating sensitivity.

- Susceptibility to risks inherent to microfinance segment**

AFPL's has presence only in Maharashtra with a network of 5 branches across 4 districts in Marathwada region exposing it to geographical concentration risks. 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 AFPL. The intermittent lockdowns and economic disruptions on account of Covid-19 may slow down the process of scaling up of operations, thereby, affecting the profitability metrics.

Acuité believes that profitable expansion in scale of operations will be key rating sensitivity.

Rating Sensitivity

- Ability to raise capital
- Movement in profitability metrics
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Changes in regulatory environment

Material Covenants

AFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others. As per confirmation received from client the company is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.

Liquidity: Adequate

AFPL maintained cash and cash equivalents of Rs. 0.59 Cr. as on March 31, 2021. AFPL's overall liquidity profile remains adequate. The company's assets and liabilities are well matched with no deficit in any of the time buckets upto 5 years. Average tenure of AFPL's loan portfolio is 24 to 30 months while, its borrowings have 36 months tenure.

Outlook: Stable

Acuité believes that AFPL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality thereby impacting profitability metrics.

About the Rated Entity - Key Financials

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	25.86	16.67
Total Income*	Rs. Cr.	2.16	1.82
PAT	Rs. Cr.	0.11	0.08
Networth	Rs. Cr.	6.89	6.78
Return on Average Assets (RoAA)	(%)	0.51	0.55
Return on Net Worth (RoNW)	(%)	1.59	1.22
Total Debt/Tangible Net Worth (Gearing)	Times	1.75	1.20
Gross NPA's	(%)	0.32	0.21
Net NPA's	(%)	0.05	0.14

* Total income equals to Net interest income plus other income

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Jun-2020	Proposed Bank Facility	Long Term	5.00	ACUITE BB-/ Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/ Stable (Upgraded)

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About Acuité Ratings & Research:

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