

Press Release
Anik Financial Services Private Limited
September 18, 2023
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	5.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

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

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Rating Rationale

The rating reaffirmation 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 20.76 percent as on March 31, 2023. The company's ontime portfolio stood at 89.42 percent with a GNPA of 0.85 percent as on June 30, 2023. Likewise, average collection efficiency for six months ended June 30, 2023 stood at 91.95 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 the company

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 and Telangana with its network of 6 branches spread across 5 districts as on March 31, 2023.

Analytical Approach

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

Key Rating Drivers

Strength

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 60 percent of the portfolio outstanding as on March 31, 2023. AFPL operates in total 5 districts of Maharashtra and Telangana with its network of 6 branches. The company's loan portfolio stood at Rs. 31.9 Cr. as on March 31, 2023 as compared to Rs. 22.96 Cr. as on March 31, 2022 and Rs. 18.69 Cr. as on March 31, 2021. 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. Ramesh Bhise (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 31.9 Cr. as on March 31, 2023 as compared to Rs. 22.96 Cr. as on March 31, 2022 and Rs. 18.69 Cr. as on March 31, 2021. The prudent underwriting policies adopted by the management has enabled the company to maintain a sound asset quality with an on-time portfolio at 93.32 percent as on March 31, 2023 and gross non-performing assets (GNPA) at 0.31 percent. The sound asset quality was further reflected with an average collection efficiency of 91.95 percent for 6 months ended June 30, 2023. 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.

Weakness

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. 31.9 Cr. as on March 31, 2023 (Rs. 22.96 Cr. as on March 31, 2022). 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 0.39 percent as on March 31, 2023 as compared to 0.45 percent as on March 31, 2022 mainly on account of higher Operating Expenses to Earning Assets ratio which stood at 9.33 percent as on March 31, 2023 (10.94 percent as on March 2022). 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. 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 in two states i.e. Maharashtra and Telangana with a network of 6 branches across 5 districts together in both states with ~97 percent of entire portfolio concentrated in the states of Maharashtra 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. 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

All 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 Position Adequate

AFPL maintained cash and cash equivalents of Rs. 1.28 Cr. as on March 31, 2023. 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.

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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	37.46	27.41
Total Income*	Rs. Cr.	3.37	2.82
PAT	Rs. Cr.	0.13	0.12
Net Worth	Rs. Cr.	12.15	12.02
Return on Average Assets (RoAA)	(%)	0.39	0.45
Return on Average Net Worth (RoNW)	(%)	1.05	0.99
Total Debt/Tangible Net worth (Gearing)	Times	1.87	1.14
Gross NPA	(%)	0.31	0.17
Net NPA	(%)	0.03	0.04

*Total income equals to Net Interest Income

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Dec 2022	Proposed Bank Facility	Long Term	5.00	ACUITE BB (Issuer not co-operating*)
08 Sep 2021	Proposed Bank Facility	Long Term	5.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
16 Jun 2020	Proposed Bank Facility	Long Term	5.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB Stable Assigned

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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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