

## Press Release

### The United Multi State Credit Co-operative Society Limited (United)

April 19, 2017

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.60.00 Cr (Enhanced from Rs.34.80 Cr)
<b>Fixed Deposit</b>	SMERA FB+/Stable (Reaffirmed)

\*Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed the rating of '**SMERA FB+**' (read as **SMERA F B Plus**) on the Rs.60.00 cr fixed deposits of The United Multi State Credit Co-operative Society Limited (United).

United, established in 2010, is a Jaipur-based co-operative credit society that takes deposits and provides loans to members in Rajasthan. The society was promoted and managed by Mr. Dinesh Kukreja.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experience management:** The rating is supported by the long-standing experience and strong domain knowledge of the promoter, Mr Dinesh Kukreja.

**Moderate scale of operations:** United reported an outstanding loan portfolio of Rs.41.83 cr as on 31<sup>st</sup> March, 2016 as compared to Rs.24.28 cr as on 31<sup>st</sup> March, 2015. SMERA believes that its ability to grow its loan-book while maintaining low delinquency levels shall remain a key credit monitorable. United has moderate Net Interest Margin (NIM) that declined to 14.41 percent in FY2016 as compared to 18.21 percent in FY2015. SMERA, however, expects moderation in the NIM over the medium term on account of the highly competitive nature of the NBFC sector. United reported modest Return on Average Assets (RoAA) which stood at 0.48 per cent in FY2016 as compared to 0.58 per cent in FY2015.

##### Weaknesses:

**Geographical concentration:** SMERA also takes note of the risks emanating from the geographically concentrated loan book of the society with the assets concentrated in the state of Rajasthan only.

**High debt to equity:** United reported high gearing (debt to equity) of 8.41 times in FY2015-16 against 8.68 times in FY2014-15.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the society.

##### Applicable Criteria

- Non-banking financing companies- <https://www.smera.in/criteria-nbfc.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

### Outlook: Stable

SMERA believes that the outlook on United's rated facilities will remain stable over the medium term. The society will continue to benefit from its experienced management and strong asset quality. The outlook may be revised to 'Positive' in case the society achieves sustained growth in its asset books while maintaining comfortable asset quality and healthy returns. The outlook may be revised to 'Negative' in case of expansion of operations resulting in deterioration of asset quality, profitability or capital levels of the society.

### About the Rated Entity

United, incorporated in 2010, a Jaipur-based cooperative credit society is engaged in the business of taking deposits and providing loan facilities to its members in Rajasthan. The society is promoted and managed by Mr. Dinesh Kukreja.

United reported PAT of Rs.0.21 cr on interest income of Rs.10.13 cr and loan portfolio of Rs.41.83 cr for FY2015-16. The society's debt equity ratio stood at 8.41 per cent and net worth stood at Rs.5.29 cr as on March 31, 2016. United reported profit after tax (PAT) of Rs.0.14 cr on interest income of Rs.5.67 cr and loan portfolio of Rs.24.28 cr for FY2014-15. The society's debt equity ratio stood at 8.68 per cent and net worth stood at Rs.3.34 crore as on March 31, 2015.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

### Rating History for the last three years:

Name of Instrument /Facilities	2017 (Current)			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Fixed Deposit	L T	60.00 (enhanced from 34.80)	SMERA FB+/Stable (Reaffirmed)	08 Mar, 2016	SMERA FB+ (Assigned)	-	-	-	-

### \*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Fixed Deposit	N.A	N.A	N.A	60.00 (enhanced from 34.80)	SMERA FB+/Stable (Reaffirmed)

### Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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