

Press Release

Nightingale Finvest Private Limited

October 26, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB+/ OUTLOOK: Negative (Reaffirmed)

*Refer annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 20.00 Cr. bank facilities of Nightingale Finvest Private Limited (NFPL). The outlook is '**Negative**'.

The rating continues to factor in profitability and growth pressures witnessed by the company as a result of Covid-19 led disruptions. Though NFPL's asset quality is comfortable, there are delinquencies in the softer buckets which coupled with weak collections might lead to asset quality pressures. Further while the monthly collections for the company have seen uptick since July-21, the overall collection efficiency continues to remain low. The overall collection efficiency for the month of September 30, 2021 stood at ~53 percent on account of over dues. The rating takes into account adequate resources raising ability of the company which has enabled it in maintaining liquidity buffers and improved CRAR of 27.94 percent as on March 31, 2021 as against 21.77 percent as on March 31, 2020. CRAR as on June 30, 2021 stood at 31.47 percent.

The rating is however, constrained by modest scale of operations, limited financial flexibility, and geographic concentration and risks inherent to micro finance sector. Going forward, the company's ability to profitably scale up its operations, bolster its capitalization levels and maintain asset quality shall be key monitorables.

About NFPL

Assam based Nightingale Finvest Private Limited (NFPL) is an NBFC-MFI engaged in microfinance lending by way of extending credit through Joint Liability Group (JLG) model. NFPL commenced its micro financing activities in 2004 as a society named Nightingale Charitable Society (NSC). NSC was established in 1997 with an objective of social development in Assam. In 2011, the society then acquired an existing NBFC Aninda Investments & Finance Private Limited and re-named it to Nightingale Finvest Private Limited to carry out its micro financing activities. NFPL was classified as an NBFC-MFI in 2015.

NFPL is promoted by Mr. Mantu Nath Sharma who has over a decade of experience in financial inclusion of the under-served section of society in Assam.

Analytical Approach

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

Key Rating Drivers

Strengths

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

Assam based Nightingale Finvest Private Limited (NFPL) has been engaged in extending micro credit since 2012 to women borrowers engaged in income generating activities under Joint Liability Group (JLG) model. NFPL has geographical presence in the states of Assam, Arunachal Pradesh, Mizoram and Meghalaya with its network of 37 branches and an Asset under Management (AUM) of Rs. 55.25 crore as on September 30, 2021. The company initially started its micro lending activities in 2004 under an NGO Nightingale Charitable Society and later in 2011 acquired an existing NBFC Aninda Investments & Finance Private Limited and was re-named as Nightingale Finvest Private Limited.

NFPL is promoted by Mr. Mantu Nath Sharma who has over a decade of experience in financial inclusion of

the under-served section of society in Assam. Mr. Mantu Nath Sharma (Managing Director) is adequately supported by other members on the Board of Directors comprising Mr. Pratap Chakravarty (Whole time director), Mr. Rukuniddin Ahmed (Whole time director). Mr. Chakravarthy and Mr. Ahmed have been associated with NFPL since the activities were conducted in in NSC. Other members include Mrs. Olee Bora (Independent Director – North Eastern Development Finance Corporation), Mr. Kanchan Dutta (Independent Director), Mr. Biswa Bandhu Mohanty (Independent Director) and Mr. Tapan Kumar Mukhopadhyay (additional Director).

Weaknesses

- **Declining AUM; Lower Collection Efficiency and Disbursements**

NFPL is engaged in microfinance lending providing short term loans up to 12 - 24 months. The company extends micro-credit through the Joint Liability Group (JLG) model. NFPL's AUM stood at Rs. 66.63 crore as on March 31, 2021 as against Rs. 84.44 crore as on March 31, 2020. As on September 30, 2021 NFPL's AUM stood at Rs. 55.25 crore. PAT declined from Rs. 3.27 crore in March 31, 2020 to Rs. 0.21 crore in March 31, 2021. While the collection efficiency for the current month due increased to ~96 percent for the month of September 2021; the overall collection efficiency for the month of September however stood at ~53 percent. Disbursements in H1 FY2022-21 stood at Rs. 1.97 crore as against Rs. 9.39 crore in H1 FY2020-21.

However, the impact COVID-19 in Q1 FY2021 and FY2022 had resulted in a nationwide lockdown which has led to significant deterioration in the collection efficiency and disbursements of NFPL. The profitability will depend on the ability to scale up its collections at a level corresponding to its debt service obligation and disbursements. Any challenges in collections and disbursements will also impact the asset quality. NFPL is in talks to raise funding with various lenders to support its liquidity profile.

Acuité believes that leveraged companies like NFPL could face challenges in asset quality and profitability if the company has unrecov ered opening over dues and low disbursements.

- **Risk inherent in microfinance lending**

The activities of microfinance companies like NFPL are exposed to concentration risks. NFPL has a presence in 4 states with major concentration in Assam (91.35 percent of total AUM) and rest in Arunachal Pradesh (4.68 percent), Mizoram (2.57 percent) and Meghalaya (1.4 percent) of total AUM as on June 30, 2021. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to the competitive landscape in these regions and the 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 the credit profile of NFPL. Acuité believes that profitable expansion in scale of operations will be key rating sensitivity.

Rating Sensitivity

- Movement in collection efficiency & asset quality
- Movement in liquidity and capitalization buffers
- Profitable scale up in operations
- Changes in regulatory environment

Material Covenants

NFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity: Adequate

NFPL has unencumbered cash and bank balances of Rs. 11.34 crore as on June 30, 2021. No negative cumulative mismatch was noticed in the near to medium term buckets. As per NFPL, liquidity is maintained for 3 months. The company has demonstrated its ability to raise funds from various banks and financial institutions. So far in September 30, 2021 and October 31, 2021 they have raised Rs. 14 crore and Rs. 10 crore respectively.

Outlook: Negative

Acuité believes that NFPL's credit profile is likely to be impacted over the near term on account of the increased possibility of elevated asset quality pressure and the consequent impact on profitability. The outlook may be revised to 'Stable' in case NFPL is able to demonstrate growth in profitability metrics and AUM. Conversely, if the company faces challenges in managing its profitability due to slower than expected improvement in collection efficiency and disbursements then it could impart a negative bias to the rating.

About the Rated Entity - Key Financials

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	86.75	111.73
Total Income*	Rs. Cr.	4.48	10.04
PAT	Rs. Cr.	0.21	3.27
Networth	Rs. Cr.	12.28	12.38
Return on Average Assets (RoAA)	(%)	0.21	3.03
Return on Net Worth (RoNW)	(%)	1.72	30.11
Total Debt/Tangible Net Worth (Gearing)	Times	5.96	7.84
Gross NPA's	(%)	0.9	0.34
Net NPA's	(%)	0.44	0.17

* 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
28 July, 2020	Term Loan	Long Term	9.00	ACUITE BB+/ Negative (Reaffirmed; Outlook revised from Stable)
	Term Loan	Long Term	6.00	ACUITE BB+/ Negative (Reaffirmed; Outlook revised from Stable)
	Term Loan	Long Term	5.00	ACUITE BB+/ Negative (Reaffirmed; Outlook revised from Stable)
08 May, 2019	Term Loan	Long Term	9.00	ACUITE BB+/ Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BB+/ Stable (Assigned)
	Term Loan	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
SIDBI	Term Loan	20 April, 2018	13.40%	Not available	0.33	ACUITE BB+/ Negative (Reaffirmed)
SIDBI	Term Loan	27 March, 2018	13.40%	Not Available	1.40	ACUITE BB+/ Negative (Reaffirmed)
Not applicable	Proposed Bank Facility	Not applicable	Not applicable	Not applicable	18.27	ACUITE BB+/ Negative (Reaffirmed)

Contacts

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About Acuité Ratings & Research Limited:

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