

## Press Release

### Nightingale Finvest Private Limited

January 23, 2023



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite 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 revised from 'Negative' to '**Stable**'.

#### Rationale for the rating

The revision in the outlook is primarily driven by better-than-expected collection efficiency, asset quality parameters and profitability parameters of Nightingale Finvest Private Ltd (NFPL). The company's asset quality is marked by on time portfolio of 97.51 percent with a GNPA of 0.53 percent as on September 30, 2022. The asset quality is supported with an average collection efficiency of 96.76 percent for the past 6 months ended on December 31, 2022. The prudent underwriting policies adopted by the management has enabled the company to improve its asset quality. The company's PAT stood at Rs 1.87 Cr. as on March 31, 2022 against Rs 0.21 Cr as on March 31, 2021. The rating continues to factor experienced management and operational track record. The company commenced its operations in 2011. The rating is constrained by company's modest scale of operations. The company's AUM stood at Rs 64.16 Cr. as on September-2022 (Rs 62.68 Cr. as on March 31, 2022 and Rs 66.63 Cr. as on March 31, 2021). The reduction in risk weighted assets improved Capital Adequacy Ratio (CAR). The company's Capital Adequacy Ratio which stood at 34.75 percent as on September 30, 2022. (31.73 percent as on March 31, 2022 and 27.94 percent as on March 31, 2021). The rating is also constrained by geographic concentration and risks inherent to micro finance sector.

Going Forward, the company's ability to profitability scale up its operations while maintaining its comfortable Capitalization levels along with healthy asset quality will be a keyrating monitorable.

#### About the company

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**

#### **Strength**

##### **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. 64.16 Cr. as on September 30, 2022. 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).

Acuité believes that NFPL will continue to benefit from its established presence and experienced promoters in the financial services industry .

##### **Comfortable Asset quality; Adequate capitalisation levels:**

NFPL primarily focuses on micro-credit to women borrowers engaged in income-generating activities under the Joint Liability Group (JLG) model. The company is able to maintain healthy asset quality on account of prudent underwriting policies adopted by the management. The healthy asset quality is marked by its on-time portfolio at 97.51 percent as on September 30, 2022. This improvement is supported by healthy collections where collection efficiency for current month due stood at an average of 97.87 percent for 6 months ended December 31, 2022. The company reported a GNPA of 0.53 percent as on September 30, 2022 (0.62 percent as on March 31, 2022 and 0.90 percent as on March 31, 2021). The company's CAR stood at 34.75 percent as on September 30, 2022 (31.73 percent as on March 31, 2022 and 27.94 percent as on March 31, 2021) . The company's CAR increased due reduction in risk weighted assets. The company's AUM stood at Rs 64.16 Cr. as on September-2022 (Rs 62.68 Cr. as on March 31, 2022 and Rs 66.63 Cr. as on March 31, 2021).

Acuité believes that going forward the ability of the company to maintain comfortable asset quality and adequate capitalization levels will be key rating sensitivity.

#### **Weakness**

##### **Stagnant AUM and moderate Profitability alebit improving:**

NFPL's financial performance has been broadly stable as a result of improvement in its PAT and NIM. The company's PAT has increased to Rs 1.87 Cr. as on March 31, 2022 as compared to Rs 0.21 Cr. as on March 31, 2021. The company's Net Interest Margin has increased to 11.50 percent as on March 31, 2022 from 6.21 percent as on March 31, 2021. The company's ROAA has improved to 2.18 percent as on March 31, 2022 as compared to 0.21 percent as on March 31, 2021. The company's AUM stood at Rs 64.16 Cr. as on September-2022 (Rs 62.68 Cr.

as on March 31,2022 and Rs 66.63 Cr. as on March 31,2021). The company's on book portfolio witnessed a marginal decline to Rs 47.17 Cr. as on September 30,2022 from Rs 50.16 Cr. as on March 31,2022. The company reported an on-book portfolio of Rs 53.96 Cr. as on March 31,2021. The company witnessed a marginal growth in its off book portfolio to Rs 16.99 Cr. as on September 30,2022 as compared to Rs 12.53 Cr. as on March 31,2022. The company reported an off book portfolio of Rs 12.67 Cr. as on March 31, 2021. The stagnant growth in company's loan book can be directly linked to limited access to funds and resources.

Acuité believes that the growth in AUM on account of increasing disbursements will be crucial.

#### **Modest scale of operations; Geographical concentration risk:**

The Company has been in the lending space since 2011. The company's AUM stood at Rs 64.16 Cr. as on September-2022 (Rs 62.69 Cr. as on March 31,2022 and Rs 66.63 Cr. as on March 31,2021). While NFPL is in the process of scaling up its operations by next year, going forward the ability of the company to access timely capital infusion and its resource raising ability will be a key factor in the scalability of a business. The company has highly concentrated portfolio with Assam alone contributing ~91.24 percent of the overall AUM as on September 30,2022. Resultantly, the company's performance is expected to remain exposed to competitive landscape in these areas and occurrence of events such as natural calamities may adversely impact the credit profile of the borrowers.

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:**

NFPL primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. Since financial assistance to economic challenged borrowers is a sensitive issue, from government stand point the regulatory dispensation in respect of the policies becomes relevant. Any changes in the regulatory environment impeding the ability of entities like NFPL to enforce collections, etc will have an impact on its operational performance. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations.

Acuité believes that containing slippages while maintaining the growth in the loan portfolio will be crucial.

### **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 Position Adequate**

NFPL has cash and bank balances of Rs. 30.63 crore as on March 31, 2022. No negative cumulative mismatch was noticed in the near to medium term buckets. NFPL has already received fresh disbursements amounting to Rs 16.50 Cr during FY2022-23. The company's average collection efficiency stood at 96.76 percent for 6 months ended as on December 31-2022.

### Outlook: Stable

Acuité believes that the NFPL will maintain a 'Stable' outlook over the medium term supported by its established presence in area of operation. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while maintaining profitability, asset quality and capitalization indicators. Conversely, the outlook may be revised to 'Negative' in case of challenges in attaining optimal collection efficiency or significantly higher than expected pressure on asset quality or profitability margins.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr.	84.98	86.75
Total Income *	Rs Cr.	6.79	4.48
PAT	Rs Cr.	1.87	0.21
Networth	Rs Cr.	13.84	12.28
Return on Average Assets (ROAA)	%	2.18	0.21
Return on Average Networth (RoNW)	%	14.35	1.72
Total Debt/ Tangible Net worth (Gearing)	Times	5.02	5.96
Gross NPA's	%	0.62	0.90
Net NPA's	%	0.13	0.44

\*Total income equals to Net interest income plus other income

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

None

### 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>
- 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, Acuité 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Oct 2021	Term Loan	Long Term	1.40	ACUITE BB+   Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	18.27	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	0.33	ACUITE BB+   Negative (Reaffirmed)
28 Jul 2020	Term Loan	Long Term	6.00	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BB+   Negative (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BB+   Negative (Reaffirmed)

## 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	20.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable

## Contacts

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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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