

Press Release

G U Financial Services Limited

August 23, 2021



Rating Update

Total Bank Facilities Rated	Rs. 90.00 Cr.#
Long Term Rating	ACUITE BB (Downgraded; Issuer not co-operating*)

Refer Annexure for details

* The issuer did not co-operate; Based on best available information.

Acuité has downgraded the long term ratings on Rs. 90.00 crore bank facilities of G U Financial Services Limited (GUFS) from '**ACUITE BBB-**' (read as ACUITE triple B minus) to '**ACUITE BB**' (read as Acuite double B). Further, the rating is now flagged as an 'Issuer Not-Cooperating' based on best available information and as per Acuite policy.

The rating downgrade is primarily driven by significant deterioration in the asset quality, weak resource raising ability, decline in operating performance during FY2021 marked by reduction in PAT and decline of owned portfolio. The company reported rise in delinquencies; GNPA and NNPA increased to 2.48 percent and 1.11 percent as on March 31, 2021 from 1.04 percent and 0.04 percent as on March 31, 2020, respectively. GNPA and NNPA peaked to 18.10 percent and 16.74 percent as on December 31, 2020. Although, Acuite takes cognizance of the fact that asset quality stress in the sector has been on account of Covid-19 induced slowdown, clearly some MFIs have been more affected on account of their geographic distribution. The inherent risks of microfinance industry including exposure to marginalized borrowers have been exacerbated by localized lockdowns and economic disruptions in the wake of Covid-19. Going forward company's resource raising ability, movement of delinquencies across different time buckets and its resultant impact on profitability metrics due to higher provisioning requirements would be key rating sensitivities.

About G U Financial Services Private Limited

Odisha based, G U Financial Services Private Limited (GUFS) is a non-deposit taking NBFC-MFI. GUFS is engaged in extending micro credit primarily to women borrowers through (JLG) model since 2008. The company is promoted by Mr. Govind Chandra Dash (Founder & Chairman) who has over three decades of experience in development and financial inclusion of rural areas in Odisha through his NGO Gram Utthan, which he established in 1990. In 2008, Mr. Govind Chandra Dash acquired an existing NBFC Visudha Investment Private Limited and renamed it as G U Financial Services Private Limited.

GUFS also provides Micro Housing loans, Integrated Fish Farming loans and Water, Sanitation and Hygiene loans. The company operates in 15 districts of Odisha and Chhattisgarh with a network of 41 branches as on March 31, 2021.

Non-cooperation by the issuer/borrower

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer / borrower failed to submit such information before the due date.

Acuité believes that information risk is a critical component in such ratings, and non-cooperation by the issuer along with an unwillingness to provide information could be a sign of potential deterioration in its overall credit quality.

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>

Note on complexity levels of the rated instrument

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

Limitation regarding information availability

The rating is based on information available from sources other than the issuer / borrower (in the absence of information provided by the issuer / borrower). Acuité endeavoured to gather information about the entity / industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

Rating Sensitivity

No information provided by the issuer / available for Acuité to comment upon.

Material Covenants

Not Available

Liquidity

No information provided by the issuer / available for Acuité to comment upon

About the Rated Entity - Key Financials

Particulars	Unit	FY21 (Prov.)	FY20 (Actual)
Total Assets	Rs. Cr.	65.49	104.68
Total Income*	Rs. Cr.	8.31	10.30
PAT	Rs. Cr.	0.66	1.79
Networth	Rs. Cr.	15.02	14.36
Return on Average Assets (RoAA)	(%)	0.78	1.92
Return on Net Worth (RoNW)	(%)	4.53	13.92
Total Debt/Tangible Net Worth (Gearing)	Times	3.11	6.12
Gross NPA's	(%)	2.48	1.04
Net NPA's	(%)	1.11	0.04

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

Not Applicable

Any other information

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jul-2020	Term Loan	Long Term	10.00	ACUITE BBB-/ Negative (Assigned)
	Proposed Bank facility	Long Term	80.00	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
09-May-2019	Proposed Bank facility	Long Term	70.00	ACUITE BBB-/ Stable (Assigned)

#Annexure – Details of instruments rated

Lenders Name	Name of Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
SIDBI	Term Loan	Not Available	Not Available	Not Available	10.00	ACUITE BB (Downgraded; Issuer Not Cooperating*)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE BB (Downgraded; Issuer Not Cooperating*)

*The issuer did not co-operate; based on best available information.

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,000 credit 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 Mumbai.

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