



**Press Release**  
**Sarala Development & Microfinance Private Limited**  
**December 19, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	250.00	ACUITE BB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs.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.250.00 Cr. bank facilities of Sarala Development and Microfinance Private Limited (SDMPL). The outlook is **'Stable'**.

**Rationale for the rating**

The rating takes into account the continued asset quality stress and its resultant impact on the credit and financial profile of the company. Moreover, the significant stress levels in the MFI industry due to the higher borrower indebtedness which is directly attributable to the larger ticket sizes and loans taken by individuals that do not have the means to repay the loans taken which has led to the overleveraging and difficulty in maintaining a healthy collection efficiency ratio. As a result of the inherent stress in the segment SDMPL continued to report higher delinquencies; NNPA stood at 1.23 percent as on March 31, 2024 as compared to 0.35 percent as on March 31, 2023. Moreover the GNPA and NNPA in H1FY25 has increased to 4.89 percent and 2.50 percent respectively. The rating is also constrained due to geographically concentrated portfolio with West Bengal and Bihar together comprising 85.24 percent and balance 14.76 percent spread across Assam Jharkhand and Sikkim. Furthermore, the AUM levels declined to Rs. 147.95 Cr. during FY2023 as compared to Rs. 196.91 Cr. during FY2022. The loan book further declined to Rs. 126.75 Cr. during H1FY2024.

However the rating continues to derive strength from SMFL's established track record of operations in the microfinance lending of over a decade along with the support of the experienced management team. The rating also derives strength from its adequate capitalisation levels (72.14 percent as on September 30, 2024) and moderate gearing levels (0.74 times as on September 30, 2024).

**About the Company**

Kolkata based SDMPL (erstwhile Unnati Trading and Fincon Pvt. Limited – incorporated in 1992) is an RBI registered non-systemically important NBFC-MFI. The company is engaged in extending microfinance loans to woman borrowers organized in Joint Liability Groups since 2014. SDMPL is co-promoted by Dr. Arabinda Kumar Sinha (Chairman) and Mr. Pranab Rakshit (Managing Director). Dr. Sinha forayed in the microfinance space in 2006 through Sarala Women's Welfare Society (SWWS) which is a not for profit entity, constituted under Section 25 of the Indian Companies Act 1956, (now Section 8 of the Indian Companies Act 2013). Later in 2010, SWWS acquired Unnati Trading and Fincon Private Limited, changed its name to SDMPL and it was registered as an NBFC-MFI with RBI in 2014. SWWS operations were transferred to SDMPL with an objective to transform the microfinance operations under a recognized and regulated NBFCMFI. Presently the day to day operations of the company are managed by Mr. Pranab Rakshit who has over a decade of experience in financial services.

**Unsupported Rating**

Not Applicable

### **Analytical Approach**

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

### **Key Rating Drivers**

## **Strength**

### **Established experience in microfinance lending:**

SDMPL is engaged in extending micro credit to women entrepreneurs in the rural areas of eastern and north eastern part of the India under Joint Liability group (JLG) model. SDMPL has moderately diversified its geographical presence beyond West Bengal to other states like Bihar, Assam, Jharkhand and Sikkim. The Company operates through a network of 83 branches spread across all these states as on September 30, 2024. SDMPL's AUM levels improved to Rs. 254.84 Cr. during FY2024 as compared to Rs. 201.96 Cr. during FY2023. The company is engaged in a business correspondent relationship with a few lenders. The company is promoted by Dr. Arabinda Kumar Sinha (Chairman) and Mr. Pranab Rakshit (Managing Director). Its board comprises 7 members led by Dr. Arabinda Kumar Sinha (Chairman). The members of the board have over two decades of experience in banking and financial services. The day to day operations of the company are managed by Mr. Pranab Rakshit (Managing Director). He was on the Board of SA-DHAN for four years, one of the Self-Regulatory Organizations for Microfinance Institution in the country and currently the Vice President of AMFI-WB, an Association of Microfinance Institutions of West Bengal.

Acuité believes that the operations of SDMPL's will be supported by established presence and experienced management.

### **Adequate capitalisation and gearing levels**

SDMPL's capital structure is marked by networth of Rs. 47.34 Cr. as on March 31, 2024 (Rs. 46.65 Cr. as on March 31, 2023) and a gearing of 0.97 times as on March 31, 2024 (1.28 times as on March 31, 2023). The company has adequate capitalization levels marked by Capital Adequacy Ratio (CAR) at 64.04 percent as on March 31, 2024 from 53.91 percent as on March 31, 2023.

Acuité believes that the company's comfortable capitalization levels will support its growth plans over the medium term.

## **Weakness**

### **Stressed asset quality and pressures in MFI segment**

SDMPL primarily extends micro finance loans to borrowers with lack of access to formal credit in the rural areas in eastern and north eastern region, primarily in West Bengal and Bihar through the JLG model. Given the credit profile of microfinance borrowers, any impact on the income flow of these households as a result of economic shocks could impair their repayment ability. Additionally, SDMPL continued to report higher delinquencies; GNPA and NNPA stood at 3.85 percent and 1.23 percent respectively as on March 31, 2024 as compared to 5.15 percent and 0.35 percent respectively as on March 31, 2023. The GNPA and NNPA has further deteriorated to 4.89 and 2.50 percent as on September 30, 2024. Furthermore, fairly geographically concentrated portfolio also poses risk to asset quality.

The stress levels in the MFI industry are due to the higher borrower indebtedness which is directly attributable to the larger ticket sizes and loans taken by individuals that do not have the means to repay the loans. This has led to a situation off overleveraging and a difficulty in maintaining a healthy collection efficiency ratio. Moreover, a multitude of evolved factors such as higher attrition rates among staff in the field and the rise of systematic frauds at grass root levels has affected the collection efficiency in the microfinance segment.

Acuité believes, going forward, the ability of the company to maintain stable asset quality in the light of continuously evolving economic scenario will be a key monitorable

### **Weak earnings profile**

Profitability metrics declined during FY2024 mainly on the account of not being able to attain lower interest expenses due to the subsidised interest rates being retracted by the government which has affected the firms ability to raise debt. The same is reflected in the Profit After Tax (PAT) of Rs. 0.69 Cr. during FY2024 as against Rs. 2.15 Cr. during FY2023. SDMPL's RoAA stood at 0.66 percent FY2024 as against 1.50 percent FY2023.

Acuité believes the risk of potential increase in credit losses in the near-to-medium term, profitability will remain a key monitorable.

## **Rating Sensitivity**

- Movement in capital structure and gearing levels
- Movement in asset quality and profitability metrics
- Changes in regulatory environment
- Movement in liquidity buffers

## **Liquidity Position**

### **Adequate**

SDMPL has well matched profile as on March 31, 2023 with no negative cumulative mismatches reported across time buckets. It reported cash and cash equivalents of Rs 3.94 Cr. as on March 31, 2023. Acuité takes note that the company's ability to raise fresh funds in a timely manner will be important from a liquidity perspective.

**Outlook:**

Stable

**Other Factors affecting Rating**

None

**Key Financials - Standalone / Originator**

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	97.60	113.13
Total Income*	Rs. Cr.	19.33	21.19
PAT	Rs. Cr.	0.69	2.15
Net Worth	Rs. Cr.	47.34	46.65
Return on Average Assets (RoAA)	(%)	0.66	1.50
Return on Average Net Worth (RoNW)	(%)	1.48	4.72
Debt/Equity	Times	0.97	1.28
Gross NPA	(%)	3.85	5.15
Net NPA	(%)	1.23	0.35

\*Total income equals to Net Interest Income plus other income.

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

Not applicable

**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>
- 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Nov 2023	Term Loan	Long Term	0.92	ACUITE BB+   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	220.50	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	2.53	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	16.06	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	2.77	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	3.65	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	3.57	ACUITE BB+   Stable (Reaffirmed)
19 Aug 2022	Term Loan	Long Term	10.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.44	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.19	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	7.05	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.68	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.11	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.32	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	1.65	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.66	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.93	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.79	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.69	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	0.88	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	2.62	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Proposed Term Loan	Long Term	144.93	ACUITE BB+   Stable (Downgraded from ACUITE BBB-)
	Term Loan	Long Term	6.67	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	5.70	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	35.20	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	5.93	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	8.18	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.38	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)

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Term Loan	Term	1.25	watch with negative implications)
Term Loan	Long Term	1.25	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.27	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.35	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	2.69	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.90	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.90	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	2.47	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	4.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	0.06	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	0.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications and withdrawn)
Term Loan	Long Term	3.19	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	0.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications and withdrawn)
Term Loan	Long Term	1.24	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	9.38	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Proposed Non Convertible Debentures	Long Term	50.00	ACUITE BBB- (Downgraded & Withdrawn from ACUITE BBB)
Term Loan	Long Term	3.75	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	0.42	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	4.81	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	5.28	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.89	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	7.05	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	2.68	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	1.13	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	2.63	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Term Loan	Long Term	10.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)
Cash Credit	Long Term	6.99	ACUITE BBB-   Stable (Downgraded from ACUITE BBB/Under watch with negative implications)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	246.74	Simple	ACUITE BB+   Stable   Reaffirmed
UCO Bank	Not avl. / Not appl.	Term Loan	30 Mar 2021	Not avl. / Not appl.	31 Mar 2026	2.30	Simple	ACUITE BB+   Stable   Reaffirmed
Friends of WWB	Not avl. / Not appl.	Term Loan	17 Mar 2020	Not avl. / Not appl.	18 Aug 2025	0.96	Simple	ACUITE BB+   Stable   Reaffirmed

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Shabad Palakkal Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### About Acuité Ratings & Research

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