

Press Release

YVU Financial Services Private Limited

April 21, 2021

Rating Reaffirmed



Total Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (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. 15.00 Cr. Bank Facilities of YVU Financial Services Private Limited (YVUFS). The outlook is '**Stable**'.

The rating factors in experienced management and operations track record. The rating is, however, constrained due to limited resource raising ability, low portfolio seasoning, modest scale of operations with AUM of Rs. 40.40 Cr as on December 31, 2020 and geographic concentration. Going forward the ability of company to profitably scale up its operations, diversify its resource mix while maintaining asset quality will be key monitor ables. Any challenges in attracting capital in operations may impede its growth plans and consequently impact its return metrics.

About the company

Incorporated in 1993, Manipur based YVUFS is a Non-Banking Finance Company – Micro Financial Institution (NBFC-MFI) registered with RBI. The company is promoted by Mr. Tikendrajit Singh Akoijam, Mr. Bikendrajit Singh Akoijam, YVU Microfin and YVU Staff Mutual Benefit Trust, with an aim to extend income generating loans to women borrowers, through joint liability group (JLG) and Non JLG Individuals lending model. The operations of YVUFS is spread across nine districts of three states, namely Manipur, Assam and Tripura through a network of 15 branches as on January 31, 2021.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of YVU Financial Services Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and track record of operations

YVUFS was promoted by Mr. Tikendrajit Singh Akoijam, Mr. Bikendrajit Singh Akoijam, YVU Microfin and YVU Staff Mutual Benefit Trust. Mr Tikendrajit and Mr Bikendrjit have more than a decade of experience in microfinance sector. Mr Tikendrajit, Chairman has over five decades of experience in social work, microfinance activities, he is the founding member of Youth Volunteer's Union – a NGO. YVU Microfin is a trust registered under Indian Trust Act 1882. The board comprises of other members who have vast experience in the BFSI segment.

YVUFS has Assets under Management (AUM) of Rs 40.40 Cr as on January 31, 2021 (Rs 45.34 Cr as on FY2020) spread across 15 Branches, 9 districts in three states of Manipur, Tripura and Assam.

Acuité believes, that YVUFS will continue to benefit from extensive experience of its promoters and management team to expand its operations and grow its loan portfolio.

Weaknesses

• Modest scale of operations

YVUFS has been in the micro-finance lending space since 1996. The company has modest scale of operations with an outstanding loan portfolio of Rs. 40.40 Cr as on January 31, 2021. YVUFS reported modest net worth of Rs. 9.25 Cr on December 31, 2020 (Provisional) as compared to Rs. 7.26 Cr on March 31, 2020. YVU's capital adequacy ratio (CAR) stood at 28.45 percent as on December 31, 2020 as compared to 21.19 percent in FY2020. While YVUFS is in the process of scaling up its operations, going forward the ability of the company to access timely capital infusion and diversify lender base or resource mix will be a key factor in the scalability of the business.

Acuité believes that YVUFS shall require equity infusion in the near to medium term in order to continue to grow its loan book. YVUFS's ability to grow its loan book while maintaining its asset quality and spreads will be crucial to the credit profile of the company.

• Susceptibility of near term operating performance to the current challenging environment; geographically concentrated portfolio adds to the challenges

The MFI lending segment entails providing loans to the lower economic strata of the society. The pandemic and the consequent lockdowns have resulted in significant logistical challenges. This has impacted the credit profile of most of the borrowers and the impact has been more severe on the lower economic strata of the society who are already vulnerable. The logistical challenges in reaching out to the borrowers either for collections or disbursements have disrupted the operations of most of the MFIs. The intermittent lockdowns and relaxations have resulted in volatility in collection efficiency.

YVUFS has presence in three states, namely, Manipur, Tripura and Assam. Its area of operations are spread across 9 districts and 15 branches in three states. The portfolio is exposed to high geographical concentration Risk, as 83% of the total portfolio is concentrated in the state of Manipur with 10 Branches. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, unrest, political developments 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.

Acuité believes that modest scale of operations, coupled with geographic concentration in its portfolio in the backdrop of second wave of COVID-19 will continue to weigh on YVUFS's credit profile over the near to medium term.

Liquidity Position: Adequate

As per the asset liability management (ALM) statement as on December 31, 2020, YVUFS has positive cumulative mismatch in all of its maturity buckets.

Rating Sensitivities

- Scaling up of operations, while maintaining asset quality.
- Profitability and Liquidity Position
- Capital raising in the form of equity and debt.

Material Covenants

None

Outlook: Stable

Acuité believes that YVUFS will maintain a 'Stable' outlook over the medium term supported by its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of asset quality pressures and deterioration in profitability metrics.

About the Rated Entity - Key Financials

Particulars	Unit	FY20 Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	54.14	45.28
Total Income*	Rs. Cr.	5.17	3.43
PAT	Rs. Cr.	1.09	0.46
Net Worth	Rs. Cr.	7.26	6.35
Return on Average Assets (RoAA)	(%)	2.19	1.36
Return on Average Net Worth (RoNW)	(%)	15.98	8.14
Debt/Equity	Times	6.24	5.96
Gross NPA	Times	0.13	0.00
Net NPA	Times	0.00	0.00

*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

- Rating of Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
February 04, 2021	Term Loan	Long Term	3.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term loan	13-Mar-2018	15.00%	01-February-2022	0.93	ACUITE BB+ / Stable (Reaffirmed)
Term loan	29-Aug-2018	14.75%	01-July-2022	2.37	ACUITE BB+ / Stable (Reaffirmed)
Term loan	15-July-2019	14.00%	01-Dec-2021	2.43	ACUITE BB+ / Stable (Reaffirmed)

Term loan	3-May-2018	13.15%	03-May-2021	0.13	ACUITE BB+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.14	ACUITE BB+ / Stable (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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