

Press Release

YVU Financial Services Private Limited

November 01, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BB' (read as ACUITE Double BB)** from **'ACUITE C' (read as ACUITE C)** and **'ACUITE D' (read as ACUITE D)** on the Rs. 15.00 Cr. bank Facilities of YVU Financial Services Private Limited (YVUFS). The outlook **'stable'**.

Reasons for Rating Upgrade

The rating takes cognizance of the regularization of the repayment obligations and written feedback confirming the same by the lender. Further, the rating considers improvement in operational performance during FY2022. The disbursement levels have increased to Rs 18.72 Crs as on March 31, 2022 as against Rs 11.71 Crs as on March 31, 2021. The AUM stood at Rs 41.38 Crs as on March 31, 2022 and Rs 40.98 Crs as on March 31, 2021. The current month collection efficiency for 6 months ended August 2022 stood at an average of 93.24 percent. The rating is constrained by modest scale of operations with geographic concentration risk and decline in asset quality & financial performance.

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 are spread across nine districts of three states namely, Manipur, Assam and Tripura through a network of 14 branches as on March 31, 2022.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced management and track record of operations

YVUFS commenced its micro-finance operations in 1996, extending micro-credit to women borrowers engaged in income-generating activities under Joint Liability Group (JLG) model.

YVUFS focuses on providing financial assistance by way of providing micro-credit loans. YVUFS is promoted by Mr. Tikendrajit Singh Akoijam, Mr. Bikendrajit Singh Akoijam, YVU Microfin and YVU Staff Mutual Benefit Trust. Mr Bikendrijit is the Managing director and have more than a decade of experience in microfinance sector. Mr Tikendrajit, Chairman & Director 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 41.38 Cr as on March 31, 2022(Rs 40.98 Cr as on March 31,2021) spread across 14 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

Weakness

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. 41.38 Cr as on March 31, 2022 compared to Rs 40.98 Crs as on March 31,2021. GNPA stood at 1.67 percent as on March 31,2022 against 0.73 percent as on March 31,2021. NNPA stood at 0.29 percent as on March 31,2022 against 0.27 percent as on March 31,2021. The company reported a PAT of Rs 1.15 Crs during FY 2021 against Rs 0.85 Crs during FY2022.

While YVUFS is in the process of scaling up its operations, going forward the ability of the company to infuse further capital and diversify lender base or resource mix will be a key factor in the scalability of the business.

Susceptibility to risks inherent to microfinance segment

YVUFS 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 to enforce collections, etc will have an impact on its operational performance. YVUFS portfolio is exposed to high geographical concentration risk, as 86.82 per cent of the total portfolio is concentrated in only state of Manipur. 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 additional slippages while maintaining the growth in the loan portfolio will be crucial.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability parameters
- Changes in regulatory environment

Material Covenants

None

Liquidity Position

Adequate

YVUFS's overall liquidity profile remains adequate as on March 31, 2022 with no cumulative negative mismatches in near to medium term. The company has maintained unencumbered

cash and bank balances of Rs. 1.22 Cr. as on March 31, 2022. The company avails term loan facilities from Banks & NBFC/FIs. YVUFS has debt obligations of Rs. 15.91 Cr. over a period of 1 year as per ALM statement dated March 31, 2022.

Outlook:

Acuité believes that YVUFS will maintain a 'Stable' outlook over the medium term supported by its established track record coupled with experienced promoter in Micro finance segment. The outlook may be revised to 'Positive' in case of higher-than-expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Parameters	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr	37.29	53.24
Total Income	Rs Cr	5.37	5.42
PAT	Rs Cr	0.85	1.15
Net worth	Rs Cr	8.84	8.22
Return on Average Assets (RoAA)	(%)	1.87	2.14
Return on Average Networth (RoNW)	(%)	9.92	14.84
Gearing (Debt/Equity)	Times	2.86	5.12
Gross NPA	(%)	1.67%	0.73%
Net NPA	(%)	0.29%	0.27%

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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Aug 2021	Term Loan	Long Term	0.93	ACUITE D (Downgraded from ACUITE BB+ Stable)
	Proposed Bank Facility	Long Term	9.14	ACUITE C (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	2.43	ACUITE D (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.13	ACUITE C (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	2.37	ACUITE D (Downgraded from ACUITE BB+ Stable)
21 Apr 2021	Proposed Bank Facility	Long Term	9.14	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.13	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.93	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.37	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.43	ACUITE BB+ Stable (Reaffirmed)
04 Feb 2020	Term Loan	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	3.00	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.67	ACUITE BB Stable Upgraded
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	2.33	ACUITE BB Stable Upgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Kunda Aditii Senior Analyst-Rating Operations Tel: 022-49294065 aditii.kunda@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.