

Press Release
YVU FINANCIAL SERVICES PRIVATE LIMITED
October 25, 2023
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to 'ACUITE C' (read as ACUITE C) from 'ACUITE BB' (read as ACUITE double B) on the Rs. 15.00 Cr. bank Facilities of YVU Financial Services Private Limited (YVUFS).

Reason for Rating Downgrade

The rating is downgraded basis the written feedback received from one of the lender confirming the account being SMA-0.

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.

Standalone (Unsupported) Rating

None

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 Bikendrjit 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 Cr 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 Cr during FY 2021 against Rs 0.85 Cr 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.

Default in timely servicing of debt repayments

The company has been facing challenges in timely repayments of their dues. Going forward, its ability to timely service its debt obligations will remain a key rating sensitivity .

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. YUVFS 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
- Curing of Default.
- Capital raising in the form of equity and debt.
- Movement in Profitability and Liquidity Position

All Covenants

YVUFS is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position

Poor

YVUFS has a poor liquidity as the YVUFS was unable to pay its debt obligation on time.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	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 Net Worth (RoNW)	(%)	9.92	14.84
Total Debt/Tangible Net worth (Gearing)	Times	2.86	5.12
Gross NPA	(%)	1.67%	0.73%
Net NPA	(%)	0.29%	0.27%

**Total income equals to Net Interest 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>
- 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
01 Nov 2022	Term Loan	Long Term	2.33	ACUITE BB Stable (Upgraded from ACUITE D)
	Proposed Bank Facility	Long Term	12.67	ACUITE BB Stable (Upgraded from ACUITE D)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	12.67	ACUITE C Downgraded
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.33	ACUITE C Downgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Akancha Singh Analyst-Rating Operations Tel: 022-49294065 akancha.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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.

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