

Press Release

YVU FINANCIAL SERVICES PRIVATE LIMITED

January 22, 2025

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short T
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Total Withdrawn Quantum (Rs.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 B minus)** from ‘**ACUITE C’ (read as ACUITE C)**’ 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 H1FY25. The AUM stood at Rs 48.38 Cr. (on book of Rs 17.19 Cr. and off book of Rs 31.19 Cr.) as on September 30,2024 and Rs 47.17 Cr. (on book of Rs 18.53 Cr. and off-book of Rs 28.64 Cr.) as on March 31,2024. The current month collection efficiency for 6 months ended September 2024 stood at an average of 95.21 percent. The rating is constrained by modest scale of operations with geographic concentration risk and decline in assest 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 13 branches as on H1FY25.

Unsupported Rating

Not Applicable

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 48.38 Cr. as on September 30, 2024 (Rs 47.17 Cr. as on March 31,2024) spread across 13 Branches, 7 districts in three states of Manipur, Tripura and Assam.

Acuite 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. Rs 48.38 Cr. as on September 30, 2024 (compared to Rs Rs 47.17 Cr. as on March 31, 2024). GNPA improved to 2.62 percent as on September 30, 2024 against 3.72 percent as on March 31, 2024. NNPA stood at 0.15 percent as on September 30, 2024 against 0.32 percent as on March 31, 2024. The company reported a PAT of Rs 0.88 Cr. during H1FY25 against Rs 0.13 Cr. during FY2024.

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. YUVFS portfolio is exposed to high geographical concentration risk, as 81.53 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

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. 1.08 Cr. as on March 31, 2024.

Outlook:Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs Cr	25.75	28.75
Total Income*	Rs Cr	3.01	3.69
PAT	Rs Cr	0.13	0.33
Net worth	Rs Cr	9.81	10.69
Return on Average Assets (RoAA)	(%)	0.48	0.99
Return on Average Networth (RoNW)	(%)	1.29	2.98
Gearing (Debt/Equity)	Times	1.39	1.48
Gross NPA	(%)	3.72	2.87
Net NPA	(%)	0.32	0.10

*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>
- 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. 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Oct 2023	Proposed Long Term Bank Facility	Long Term	12.67	ACUITE C (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	2.33	ACUITE C (Downgraded from ACUITE BB Stable)
01 Nov 2022	Proposed Long Term Bank Facility	Long Term	12.67	ACUITE BB Stable (Upgraded from ACUITE D)
	Term Loan	Long Term	2.33	ACUITE BB Stable (Upgraded from ACUITE D)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.67	Simple	ACUITE BB- Stable Upgraded (from ACUITE C)
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Nov 2023	2.33	Simple	ACUITE BB- Stable Upgraded (from ACUITE C)

Contacts

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About Acuité Ratings & Research

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