

## Press Release

### Sampark Fin Services Private Limited

April 08, 2021

### Rating Downgraded



<b>Total Bank Facilities Rated</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE C (Downgraded from ACUITE BB/ Stable)
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BB/ Stable)

### Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) and '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 30.00 Cr. bank facilities of Sampark Fin Services Private Limited (SFPL).

### Rationale for Rating Downgrade

The downward revision in rating is primarily on account of lender feedback whereby the company is facing significant liquidity pressures, which has impeded its ability to service the debt obligations in a timely manner.

### About the company

Incorporated in 2015, Sampark Fin Services Private Limited (SFPL) is an Odisha based NBFC. SFPL is engaged in extending micro-credit loan to individuals and joint liability groups with an aim to promote financial inclusion among women in the areas of Odisha, Bihar and Chhattisgarh. SFPL is promoted by Odisha based livelihood promoting institution – Mahashakti Foundation. The operations of SFPL are helmed by Managing Director - Mr. Jugala Kishore Pattanayak.

The company operates through a network of 19 branches spread across states of Odisha, Bihar and Chhattisgarh as on March 31, 2020.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SFPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### • Extensive experience of the management

SFPL is an Odisha based NBFC engaged in extending microfinance loans to individuals and borrowers organized in Joint Liability Groups. SFPL majorly operates in regions of Odisha which lack financial inclusion. The company is supported by promoters having vast experience in the social upliftment of the people in areas of Odisha through various livelihood and financial programs. The company is led by Managing Director Mr. Jugala Kishore Pattanayak who is also the co-founder of Mahashakti Foundation. He has worked as a social entrepreneur for over two decades in association with Oxfam, UNICEF, DFID (Department for International Development) and CARE. Other directors at the company also have vast experience in livelihood and micro-financing operations.

The business model of SFPL dovetails with the other venture of the promoters like Mahashakti foundation in Odisha, the key target area of SFPL. The company has managed to build its Assets under Management (AUM) of Rs. 22.84 Cr. as on March 31, 2020.

## Weaknesses

### • Challenges faced in operating environment

SFPL is engaged in unsecured lending to marginal borrower with limited ability to absorb income shocks. The microfinance sector operates in economically backward areas, wherein regulatory intervention is prominent. This exposes the segment to regulatory risks. The geographically concentrated nature of operation exposes the company to concentration risk. Any natural calamity or adverse manmade event in the region can impact the cash flows of the borrowers which in turn will have an adverse impact on the overall credit profile of players such as SFPL.

SFPL's funding profile comprises term loans from Bank's/FI's and the company is currently leveraged at 2.89 times as on March 31, 2021. Consequent to the recent NBFC crises, Banks and FIs have become more selective in lending to NBFCs. Hence, NBFC/MFIs such as SFPL could face challenges in raising fresh debt at sustainable pricing to support their on-book growth.

## Rating Sensitivity

Not Applicable

## Material Covenants

None

## Liquidity: Stretched

SFPL had unencumbered cash and bank balance of Rs. 0.19 crore as on March 31, 2020. The liquidity profile of the company is stretched on account of challenges faced in collections and in raising fresh capital which has, in turn, resulted in delay in servicing of debt obligations.

## About the Rated Entity - Key Financials

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	23.91	19.16
Total Income*	Rs. Cr.	2.29	0.80
PAT	Rs. Cr.	0.13	0.07
Networth	Rs. Cr.	5.96	5.15
Return on Average Assets (RoAA)	(%)	0.60	0.58
Return on Net Worth (RoNW)	(%)	2.31	1.68
Total Debt/Tangible Net Worth (Gearing)	Times	2.89	2.65
Gross NPA's	(%)	N. A	0.07%
Net NPA's	(%)	-	-

\* Total income equals to Net interest income plus other income

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

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

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Mar-2020	Term Loan	Long Term	3.00	ACUITE BB/ Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB/ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	25.00	ACUITE BB/ Stable (Assigned)
04-Feb-2020	Term Loan	Long Term	2.00	ACUITE BB/ Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB/ Stable (Assigned)
	Proposed Term Loan	Long Term	11.00	ACUITE BB/ Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	30-Aug-18	Not Applicable	01-Jul-21	3.00	ACUITE C (Downgraded from ACUITE BB/ Stable)
Term Loan	23-Sep-19	Not Applicable	01-Dec-21	2.00	ACUITE D (Downgraded from ACUITE BB/ Stable)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE C (Downgraded from ACUITE BB/ Stable)

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### About Acuite Ratings & Research:

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