

Press Release

Unacco Financial Services Private Limited

October 19, 2022



Rating Reaffirmed & Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-----------------------------------|-------------------|
| Bank Loan Ratings | 33.00 | ACUITE D Reaffirmed & Withdrawn | - |
| Bank Loan Ratings | 57.00 | ACUITE C Reaffirmed & Withdrawn | - |
| Total Outstanding Quantum (Rs. Cr) | 0.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 90.00 | - | - |

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of 'ACUITE D' (read as ACUITE D) on Rs 33 Cr of bank facilities of Unacco Financial Services Private Limited (UFSPL).

Acuite has reaffirmed and withdrawn 'ACUITE C' (read as ACUITE C) on the Rs.57.00 Cr bank facilities of Unacco Financial Services Private Limited (UFSPL).

This rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and the NOCs (No Objection Certificate) received from the bankers.

About the company

Assam based, Unacco Financial Services Private Limited (UFSPL) was incorporated in 1992 as a non-Deposit taking Non-Banking Finance Company-Micro Finance Institution (NBFC-MFI). UFSPL provides microcredit to small entrepreneurs and small businesses where access to banking and related services are lacking. The company is headquartered in Guwahati, Assam. The company has its operations spread across 45 branches in Assam, Mizoram, Tripura, West Bengal, Manipur, Meghalaya, Arunachal Pradesh and Sikkim.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of UFSPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management

UFSPL is promoted by Mr. Irabanta Singh, who has over a decade experience in microfinance industry. He is adequately supported by other board members. Mr. Wahengbam Prabin Kumar, who is nominee director, Mr.K. Deepak Singh (Director) has more than 10 Years of experience in Microfinance Sector. Mr Paritosh Kar Purkayastha (Independent director) is a Retd Assistant General Manager -State Bank of India. The extensive experience of the promoters is reflected through established relationship with its customers and bankers.

UFSPL is engaged in microfinance lending in Assam since 2008 and has established its presence since then by way of extending credit. It currently operates through a network of 45 branches spread across 31 districts. UFSPL is associated with 40,432 customers forming 15,801 JLG's. UFSPL's loan portfolio stood at Rs. 57.29 Cr on Jun 30, 2022.

Acuité believes that UFSPL will continue to benefit from its established position and the management's experience in micro finance lending.

Weakness

Delay in Debt Servicing

The repayment of the term loans has been delayed in one of the lender banks. This is mainly due to UFSPL's stretched liquidity position.

Susceptibility to risks inherent to microfinance segment

UFSPL's primarily extends microcredit to small entrepreneurs and small businesses where access to banking and related services are lacking. 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 like UFSPL to enforce collections, etc will have an impact on its operational performance. 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.

High geographic concentration

UFSPL's operations are concentrated in Assam, with the state accounting for 77.91 percent of its total portfolio as on June 30, 2022. While the company is gradually expanding into other states such as Mizoram and Manipur, there is an overall concentration of the lending business in the north eastern part of the country.

Acuité believes that geographic concentration in its portfolio coupled with the inherent risk in microfinance segment will continue to weigh on the company's credit profile over the near to medium term.

Rating Sensitivity

- Collection efficiency and asset quality
- Improved liquidity buffers
- Profitability and capitalisation buffers
- Changes in regulatory environment

Material Covenants

None

Liquidity Position

Poor

The company has poor liquidity marked by overdue in term loan repayments. The company has maintained cash and Bank balances of Rs 3.12 Cr as on March 31, 2022. The company avails term Loan facilities from Bank's & NBFC's/FI's. UFSPL's has debt obligations of Rs 17.07 Cr over a period of one year as per ALM statement of March 31,2022.

Outlook:

None

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY22 (Actual) | FY21 (Actual) |
|-------------|------|---------------|---------------|
| | | | |

| | | | |
|------------------------------------|-------|-------|--------|
| Total Assets | Rs Cr | 78.61 | 104.59 |
| Total Income | Rs Cr | 6.51 | 9.80 |
| PAT | Rs Cr | 0.17 | 0.02 |
| Net Worth | Rs Cr | 27.95 | 27.77 |
| Return on Average Assets (RoAA) | (%) | 0.19 | 0.02 |
| Return on Average Net worth (RoNW) | (%) | 0.63 | 0.07 |
| Debt/Equity | Times | 1.61 | 2.55 |
| Gross NPA | (%) | 3.44 | 8.02 |
| Net NPA | (%) | 0.78 | 4.70 |

Total income equals to Net Interest Income plus other income.

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

Crisil, vide its press release dated July 09, 2021 had reaffirmed the rating of Unacco Financial Services Private Limited to 'CRISIL D; ISSUER NOT COOPERATING'. Brickworks, vide its press release dated July 14, 2022 had reaffirmed the rating of Unacco Financial Services Private Limited to 'BWR D; ISSUER NOT COOPERATING'.

Any other information

Acuité has not receive the latest No Default Statement (NDS) from the rated entity.

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|------|--------------------------------|-----------|-----------------|--------------------------------------|
| | Term Loan | Long Term | 2.33 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 8.00 | ACUITE D (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.73 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 3.19 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 1.15 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 3.49 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.30 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.61 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 1.00 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 4.70 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 15.00 | ACUITE D (Issuer not co-operating*) |

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|-------------|------------------------|-----------|-------|---|
| 29 Sep 2022 | Term Loan | Long Term | 7.06 | ACUITE C (Issuer not co-operating*) |
| | Proposed Bank Facility | Long Term | 1.96 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 1.89 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 3.29 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.58 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.83 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.24 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 5.10 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 1.00 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 2.50 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 0.83 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 2.24 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 2.36 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 1.86 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 2.04 | ACUITE C (Issuer not co-operating*) |
| | | Long | | |
| | Term Loan | Term | 10.00 | ACUITE D (Issuer not co-operating*) |
| | Term Loan | Long Term | 5.72 | ACUITE C (Issuer not co-operating*) |
| | Term Loan | Long Term | 5.10 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 1.00 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.58 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 2.36 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 2.24 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Proposed Bank Facility | Long Term | 1.96 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 1.86 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.30 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.24 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 2.50 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 1.89 | ACUITE C (Downgraded from ACUITE BB Stable) |

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|-------------|-----------|-----------|-------|---|
| 01 Jul 2021 | Term Loan | Long Term | 7.06 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.83 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 2.04 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 1.00 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 8.00 | ACUITE D (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 5.72 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 1.15 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 3.29 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 3.49 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 2.33 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 4.70 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 15.00 | ACUITE D (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.61 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 3.19 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.83 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 0.73 | ACUITE C (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 10.00 | ACUITE D (Downgraded from ACUITE BB Stable) |
| | Term Loan | Long Term | 7.06 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 2.36 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 3.19 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 1.00 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 3.29 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 10.00 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.24 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 1.86 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 2.04 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.83 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 8.00 | ACUITE BB Stable (Assigned) |

| | | | | |
|-------------|------------------------|-----------|-------|-------------------------------|
| 15 Jan 2021 | Proposed Bank Facility | Long Term | 1.96 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 15.00 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.61 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.73 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 2.50 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 1.00 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 4.70 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 3.49 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 2.24 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.30 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 0.83 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 5.10 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 2.33 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 1.89 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 5.72 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long Term | 1.15 | ACUITE BB Stable (Assigned) |
| | Term Loan | Long | 0.58 | 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 Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.96 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 03-10-2018 | Not available | 27-02-2022 | 0.58 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 01-07-2019 | Not available | 11-02-2023 | 0.83 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 05-10-2017 | Not available | 13-04-2021 | 0.30 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 05-10-2017 | Not available | 21-02-2021 | 0.24 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 05-10-2017 | Not available | 13-03-2021 | 0.61 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 03-10-2018 | Not available | 27-02-2022 | 0.73 | ACUITE C Reaffirmed & Withdrawn |
| State Bank of India | Not Applicable | Term Loan | 22-10-2018 | Not available | 29-08-2021 | 2.24 | ACUITE C Reaffirmed & Withdrawn |
| IDBI Bank Ltd. | Not Applicable | Term Loan | 30-11-2018 | Not available | 30-01-2021 | 2.04 | ACUITE C Reaffirmed & Withdrawn |
| Small Industries Development Bank of India | Not Applicable | Term Loan | 07-03-2019 | Not available | 25-03-2022 | 8.00 | ACUITE D Reaffirmed & Withdrawn |
| North Eastern Development | Not | Term | | Not | | | ACUITE C |

| | | | | | | | |
|---|----------------|-----------|---------------|---------------|---------------|-------|-----------------------------------|
| Finance Corporation Ltd. | Applicable | Loan | 03-10-2018 | available | 28-06-2022 | 1.15 | Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 01-07-2019 | Not available | 11-02-2023 | 0.83 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 10-03-2019 | Not available | 19-03-2022 | 3.49 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | Not available | Not available | Not available | 1.00 | ACUITE C Reaffirmed & Withdrawn |
| MANAVEEYA DEVELOPMENT AND FINANCE PRIVATE LIMITED | Not Applicable | Term Loan | 19-03-2019 | Not available | 15-03-2022 | 7.06 | ACUITE C Reaffirmed & Withdrawn |
| Jain Sons Finlease Ltd. | Not Applicable | Term Loan | 28-01-2019 | Not available | 28-02-2021 | 3.29 | ACUITE C Reaffirmed & Withdrawn |
| IDFC First Bank Limited | Not Applicable | Term Loan | 22-02-2018 | Not available | 09-03-2023 | 15.00 | ACUITE D Reaffirmed & Withdrawn |
| IDFC First Bank Limited | Not Applicable | Term Loan | 08-06-2018 | Not available | 26-06-2023 | 10.00 | ACUITE D Reaffirmed & Withdrawn |
| Habitat Micro Build India Housing Finance Company Pvt. Ltd. | Not Applicable | Term Loan | 29-03-2018 | Not available | 18-04-2021 | 1.00 | ACUITE C Reaffirmed & Withdrawn |
| Arohan Financial Services (P) Ltd. | Not Applicable | Term Loan | 24-09-2018 | Not available | 27-09-2021 | 5.72 | ACUITE C Reaffirmed & Withdrawn |
| Bandhan Bank | Not Applicable | Term Loan | 18-09-2019 | Not available | 21-09-2021 | 5.10 | ACUITE C Reaffirmed & Withdrawn |
| Grameen Impact | Not | Term | 11-06-2019 | Not | 17-06-2021 | 2.33 | ACUITE C Reaffirmed |

| Investment | Applicable | Loan | | available | | | & Withdrawn |
|---|-------------------|--------------|------------|------------------|------------|------|---|
| Incred Capital Finacial Services Private Ltd. | Not Applicable | Term Loan | 03-07-2019 | Not available | 17-04-2021 | 3.19 | ACUITE C Reaffirmed & Withdrawn |
| Annapurna Microfinance Private Ltd. | Not Applicable | Term Loan | 01-10-2019 | Not available | 11-07-2021 | 2.36 | ACUITE C Reaffirmed & Withdrawn |
| Micro Units Development and Refinance Agency bank (MUDRA) | Not Applicable | Term Loan | 06-09-2019 | Not available | 13-11-2022 | 1.86 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 01-07-2019 | Not available | 17-07-2022 | 4.70 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 01-07-2019 | Not available | 29-08-2022 | 2.50 | ACUITE C Reaffirmed & Withdrawn |
| North Eastern Development Finance Corporation Ltd. | Not Applicable | Term Loan | 01-07-2019 | Not available | 23-12-2022 | 1.89 | ACUITE C Reaffirmed & Withdrawn |

Contacts

| Analytical | Rating Desk |
|---|--|
| Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 mohit.jain@acuite.in Kunda Aditii Senior Analyst-Rating Operations Tel: 022-49294065 aditii.kunda@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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