Press Release
DVARA KSHETRIYA GRAMIN FINANCIAL SERVICES PRIVATE LIMITED
January 23, 2026
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	100.00	Provisional | ACUITE A | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale
Acuite has assigned the long term rating of **'Provisional ACUITE A' (read as Provisional ACUITE A)** on the Rs 100.00 Cr. Proposed Non-Convertible Debenture facilities of Dvara Kshetriya Gramin Financial Services Private Limited (DKGFS). The outlook is **'Stable'.**

Rationale for the rating
The rating factors in comfortable capitalization levels supported by steady financial performance, moderate asset quality metrics. The company's total AUM stood at Rs 2201.71 Cr. as on March 31, 2025. The company reported a PAT of Rs.1.18 Cr. in FY2025. The gearing for the company has improved from 4.63x as on March 31, 2024 to 4.12x as on March 31, 2025.
The provisional rating factors the credit enhancement in the form of a Debt Service Reserve Account (DSRA) mechanism along with a T-n structure on the proposed NCD facility of Rs. 100 Cr.
The rating continues to factor in the long standing presence of the company in the microfinance sector adequate liquidity profile and comfortable resources raising ability. However, the rating is constrained by DKGFS's moderate scale of operations and its relatively leveraged capital structure and asset quality levels. Going forward, DKGFS's ability to raise capital and profitably grow its loan portfolio while maintaining a conservative leverage level will be a key monitorable.

The rating on the Rs. 100.00 Cr. proposed NCD for DKGFS is provisional and the final rating is subject to:
-Appointment of a SEBI registered Debenture Trustee
-Creation of requisite DSRA
-Execution of signing of Trust Deed
-Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and condition of term sheet.

About the Company
Dvara Kshetriya Gramin Financial Services Private Limited (previously Pudhuaaru Financial Services Private Limited) is a Chennai based company which was incorporated in the year 1993. The company is engaged in providing finance services to those enrolled as members and organized Joint Liability Groups ('JLG') and also to individuals. It majorly provides loans under Joint Liability Group (JLG) model and also provides enterprise loans, personal loans, jewel loans, consumer loans and crop loans. The directors of the company are the Mr. Pranav Kumar, Mrs. Anisha Motwani, Mr. Samir Amrit Shah, Mr. Raman Uberoi, Mr. Murty Venkata

Lakshmi Narashima Lanka, Mr. Gowri Thyagarajan, Mrs. Shreya Deb, Mr. Arvind Kodikal, Mr. Lone Soendergaard and Mr. Hemant Ratnakar Adarkar.

Unsupported Rating
ACUITE BBB+/Stable

Analytical Approach:
Acuité has adopted a standalone approach on DVKGFS's business and financial risk profile for arriving at the rating. For the proposed NCD facility, Acuite also factors in the presence of a DSRA in form of 13 percent of the issue size to be maintained in the form of cash/fixed deposit, "AA' to'AAA' rated debt securities and sovereign debt securities, in any combination, for the minimum duration covering the tenor of the NCDs along with the T structure. The differential in the ratings of regular NCD vis. a vis. the rating on the NCDs is on account of these structures. The notch-up is based on DSRA and T-n mechanism and structure being an Internal Credit Enhancement the suffix of CE is not required.

Key Rating Drivers

Strengths

Experienced Management and Strong Governance

DKGFS is guided by an experienced management team with strong expertise across microfinance, banking, and social transformation. The board is chaired by Mr. Samir Shah, who brings extensive global experience along with the support of Dvara Trust. Governance is further strengthened by the presence of independent directors and investor representatives, ensuring sound oversight and strategic direction.The company has also welcomed reputed investors such as Leapfrog, Stakeboat Capital, Accion, and Sparkassen, whose involvement reflects the high caliber of its board. In addition, the senior leadership team brings nearly two decades of hands-on experience in rural finance, microfinance, and the NBFC sector, positioning DKGFS as a trusted and well-governed institution in the industry.

Stable Portfolio Scale with Diversified Presence

DKGFS, which began operations in Tamil Nadu in 2008, has steadily expanded its footprint across multiple states including Odisha, Karnataka, Uttarakhand, Andhra Pradesh, and through the acquisition of Varam Capital in 2019, into Chhattisgarh. This geographic diversification has enabled the company to build a balanced portfolio across regions while deepening penetration in its core markets. The company disbursed Rs.1,902.38 Cr. in FY24 and Rs.704.24 Cr. in FY25, reflecting moderation in lending activity during FY25. However, in H1FY26 disbursements recovered to Rs.783.62 Cr, indicating renewed momentum in loan origination. Despite these fluctuations, the overall portfolio scale has remained resilient.
Acuité believes that DKGFS will be able to maintain its growth momentum in a sustainable manner while diversifying its geographical reach, supported by its established presence and operational model.

Earnings Profile

DKGFS has demonstrated its ability to generate consistent operating income despite challenging credit conditions. The company reported a Net Interest Income (NII) of Rs.257.70 Cr. in FY25 and Rs.235.39 Cr. in FY24 , reflecting stability in core earnings. While profitability was impacted by higher provisioning requirements, this reflects the company's prudent approach to risk management and its commitment to maintaining a healthy balance sheet. The provisioning buffers created during FY25 and FY26 strengthen the company's ability to absorb portfolio stress and support long-term sustainability.
Acuité believes that DKGFS's stable operating income, disciplined provisioning, and demonstrated ability to scale its portfolio highlight the company's resilience.

Weaknesses

Weak Asset Quality

DKGFS's portfolio, largely comprising JLG loans (around 75%) and micro-enterprise loans (25%), has seen pressures on asset quality in recent periods. The company's AUM grew from Rs.1,769.84 Cr. in FY23 to Rs.2,251.33 Cr. in FY24 before moderating to Rs.2,201.71 Cr. as on March 31, 2025. During this period, GNPA increased from 2.98% in FY24 to 8.53% in FY25, while NNPA rose from 1.26% to 3.91%. As on H1FY26, GNPA and NNPA stood at 5% and 2% respectively. While this reflects stress in the loan book, the company has responded with proactive provisioning, with credit costs rising from Rs.81.80 Cr. in FY24 to Rs.160.84 Cr. in FY25. These buffers strengthen the balance sheet and demonstrate a disciplined approach to risk management, positioning DKGFS to absorb shocks and focus on long-term sustainability.

Profitability pressures.

Despite stable operating income, DKGFS's profitability has been significantly constrained by elevated credit costs. The company's PAT declined from Rs.47.53 Cr. in FY24 to just Rs.1.18 Cr. in FY25, reflecting the impact of higher provisions. In H1FY26, the company reported a net loss of Rs.21.11 Cr. as provisioning requirements remained high. This sustained pressure on earnings highlights the vulnerability of profitability metrics to asset quality movements, making improvement in collections and moderation in credit costs critical for restoring financial performance.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

Acuite takes into consideration the Structured Payment Mechanism (SPM) put in place by DKGFS to ensure timely availability of funds for servicing of debt obligations. As per the structure, the Debenture Trustee shall monitor the same and any shortfall persisting on T-5th day shall be met through transfer of requisite funds from the DSRA. In case of any erosion from the DSRA, the same shall be required to be cured within 7 days (T+7).

Stress case Scenario

Acuite has stressed the projected cash flows against maturing repayment obligations and found that even in a stressed scenario, DKGFS would be able to timely meet its scheduled repayment obligations. Further, Acuite believes that given adequacy of the structure and unconditional, irrevocable and legal enforceability, DKGFS will be able to service its debt on time, even in a stress scenario.

ESG Factors Relevant for Rating

Dvara Kshetriya Gramin Financial Services Private Limited (DKGFS) belongs to the NBFC-MFI sector which facilitates lending to the unbanked population. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The entity maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism and whistle blower policy. The board of directors of the company comprise of 10 directors out of which 4 are independent directors, 3 are nominee directors and 3 are non-executive directors which includes 1 female director who is the co-founder and chairperson of Dvara Trust. The audit committee is with the objective to monitor and provide an unbiased supervision of the management's financial reporting process. DKGFS also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair Practice Code as disseminated by Reserve Bank of India's circular. DKGFS aims to empower women by providing micro loans to help them generate additional income opportunities, hence making an economic contribution by way of financial inclusion. It continues to work on several community development initiatives and has also developed a social performance management system to facilitate financial stability of its staff and clients.

Rating Sensitivity

- Ability to raise capital
- Movement in liquidity buffers
- Movement in gearing levels
- Profitability metrics
- Changes in regulatory environment

All Covenants

The issuer shall maintain below mentioned during the entire tenor of the debentures and till all the amount outstanding have been duly repaid

a. **Total Debt/Tangible Net worth** ratio to be within <=5.5x
b. **Capital Adequacy Ratio (CAR**) of at least 20% **(20 Percent)** or as per applicable RBI regulation, whichever is higher. Of the above CAR, Tier-I to remain at minimum of 18% **(18 Percent)**
c. Gross NPA not to exceed 7% of Gross Loan Portfolio
d. **Net NPA** not to exceed 4% of Gross Loan Portfolio
e. Ensure that all loans or Financial Indebtedness (including any Client Loans) to any single party and/or guarantees on behalf of any third parties does not exceed **10% (ten percent)** of the Net Worth of the Issuer
f. **Earnings:** After-tax Net Income (excluding extraordinary income) is required remain positive for from September 2026 and thereafter. The said covenant to be tested on quarterly and on Annual basis.
g. There shall not be any negative mismatches on cumulative basis in any of the buckets till the next one year of ALM statement after incorporating all the liabilities of the Issuer incorporating Put Options/ Reset Options etc. (in any form). The asset will include all the unencumbered Cash and Cash equivalent maturing across all the buckets of the ALM as part of the opening asset balance. Unutilized bank lines, undisbursed committed sanctions of the company and cash credit limits shall not be taken into account while testing the same
h. Issuer shall not prepay any loans or redeem NCDs; voluntarily or mandatorily before its stated maturity (subject to pre- agreed call options and put options) such that it leads to a negative mismatch on cumulative basis in any of the buckets of ALM statement up to the residual tenor of the Debenture after incorporating all the liabilities of the Issuer including Put Options/interest reset on liabilities. Unutilized bank lines shall not be taken into account while testing the same.
a. Company to maintain a Minimum net worth of INR 350 Crs

All covenants would be tested on quarterly basis i.e. as on 31 March, 30 June, 30 Sept and 31 Dec every year, starting from 30 June, 2026 on standalone balance sheet till the redemption of the NCDs. The covenants shall be certified by the statutory auditor of the Company within 45 (Forty-Five) calendar days from the end of each reporting quarter. In case of breach of any of the covenants, the Issuer shall pay additional coupon at the rate of 2 % (Two Percent) per annum over and above the applicable Coupon Rate on all amounts outstanding under the NCDS (including the Outstanding Principal Amounts and any accrued but unpaid interest) from the date of occurrence of such a breach, until the NCDs are fully redeemed or till the covenants criteria has been replenished.

Liquidity Position

Adequate

DKGFS maintains an adequate liquidity profile, supported by positive cumulative mismatches across most buckets as reflected in the ALM statements dated March 31, 2025, and September 30, 2025. The company held cash and cash equivalents of Rs.165.33 crore as of March 31, 2025, providing a comfortable liquidity buffer. In May 2025, DVKGFS further strengthened its capital position by raising Rs.70.8 crore through Tier I and Tier II instruments, thereby enhancing its capital adequacy and replenishing risk capital. Looking ahead, DVKGFS is planning additional equity infusions to further reinforce its capital base and support future growth.

Outlook - Stable

Other Factors affecting Rating
None.

Key Financials - Standalone / Originator

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets	Rs. Cr.	2260.13	2250.53
Total Income*	Rs. Cr.	341.81	330.70
PAT	Rs. Cr.	1.18	47.53
Net Worth	Rs. Cr.	424.15	387.60
Return on Average Assets (RoAA)	(%)	0.05	2.32
Return on Average Net Worth (RoNW)	(%)	0.29	13.58
Debt/Equity	Times	4.12	4.63
Gross NPA	(%)	8.53	2.98
Net NPA	(%)	3.91	1.26

**Total income equals to Net Interest Income plus other income*

Status of non-cooperation with previous CRA (if applicable)
None.

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating
In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued). Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation
ACUITE BBB+/Stable

Timeline for conversion to Final Rating for a debt instrument proposed to be issued
The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Any other information
None.

Applicable Criteria
• Non-Banking Financing Entities: https://www.acuite.in/view-rating-criteria-44.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.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 :

Not Applicable.

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 Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	Provisional | ACUITE A | Stable | Assigned

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About Acuité Ratings & Research
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