



**Press Release**  
**G U FINANCIAL SERVICES PRIVATE LIMITED**  
**July 18, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE Double B**) from '**ACUITE BB-**' (read as **ACUITE Double B minus**) on the Rs. 20.00 Cr. bank facilities of G U Financial Services Private Limited (GUFS). The outlook is '**Stable**'.

**Rationale for Rating**

The rating upgrade factors in the company's improved profitability and financial performance, the company has reported a PAT of Rs 2.36 Cr. during FY2024 (Provisional) as compared to Rs 0.54 Cr. during FY2023, (Rs 0.30 Cr. during FY2021-22). The company's on-book asset quality was marked by on-time portfolio of 97.45 percent with GNPA's at 1.78 percent as on March 31, 2024 (Provisional) supported by overall collection efficiency of 95.49 percent. The rating also factors growth in AUM. The company reported an AUM of Rs 191.02 Cr. as on March 31, 2024 (Provisional) which has improved from Rs 138.95 Cr. as on March 31, 2023 (Rs 112.06 Cr. as on March 31, 2022). The rating remains constrained by moderate scale of operations, moderate financial profile and the inherent risk associated with the microfinance industry.

Going forward company's resource raising ability, improvement in asset quality across different time buckets, improvement in profitability metrics and AUM while maintaining healthy Capitalization levels would be key rating sensitivities.

**About the company**

Incorporated in 1989 Odisha based, G U Financial Services Private Limited (GUFS) is a non-deposit taking NBFCMFI. GUFS is engaged in extending micro credit primarily to women borrowers through (JLG) model since 2008. The company is promoted by Mr. Govind Chandra Dash (Founder & Chairman) who has over three decades of experience in development and financial inclusion of rural areas in Odisha through his NGO Gram Utthan, which he established in 1990. In 2008, Mr. Govind Chandra Dash acquired an existing NBFC Visudha Investment Private Limited and renamed it as G U Financial Services Private Limited. GUFS also provides Micro Housing loans, Integrated Fish Farming loans and Water, Sanitation and Hygiene loans. The company operates in 16 districts of Odisha and Chhattisgarh with a network of 51 branches as on March 31, 2024(Prov.).

**Analytical Approach**

Acuite has adopted the standalone approach while assessing the business and financial risk profile of the G U Financial Services Private Limited.

**Key Rating Drivers**

## **Strength**

Experienced management in micro-finance segment:

GUFS commenced its operations in 2008 extending micro-credit to women engaged in income generating activities under the Joint Liability Group (JLG) model. The company also extends Micro Housing loans, Integrated Fish Farming loans and Water, Sanitation and Hygiene loans. GUFS cater to rural and semi-urban areas of Odisha and Chhattisgarh with its network of 51 branches across 16 districts with an AUM of Rs. 191.02 Cr. as on March 31, 2024 (Prov.). GUFS is promoted by Mr. Govind Chandra Dash (Managing Director) who has been engaged in microfinance and rural development in Odisha through his NGO Gram Utthan. In 1990, Mr. Govind Chandra Dash established an NGO Gram Utthan which worked towards the development and financial inclusion of the rural population of Odisha. In 2008, he acquired an existing NBFC Visudha Investment Private Limited and re-named it as G U Financial Services Private Limited to provide an exclusive platform for financial inclusion efforts of his NGO Gram Utthan. Mr. Govind Chandra Dash is adequately supported by other members on the Board of Directors comprising Mr. Santosh Mishra (Director), who has over a decades of experience in Micro Finance, Micro Enterprise promotion, Entrepreneurship Development, Sustainable Livelihood Promotion, Skill Development Initiative with three decades of experience in the banking functions in various capacities in multiple areas of Administration and Management of Human Resources Management including Account Management, Customer Service, Staff Coordination, Training and Development. He also has experience in the functioning of Exchange Control Regulation, Management of Currency in the Issue Department and Maintenance of Estate in the Estate Department of Reserve Bank of India. He also has experience in the functioning of Exchange Control Regulation, Management of Currency in the Issue Department and Maintenance of Estate in the Estate Department of Reserve Bank of India. Over the years, GUFS has expanded its operations to build an AUM of Rs.138.95 Cr. as on March 31, 2023 as compared to Rs. 112.06 crore as on March 31, 2022. The AUM has further improved to Rs. 191.02 Cr. as on March 31, 2024( Prov.) with on-book portfolio of Rs. 31.47 Cr. and off-book portfolio of Rs. 159.55 Cr. GUFS has expanded its off-book exposure with with ~83 percent of its overall AUM as on March 31, 2024( prov.). The company takes off-book exposure through Business Correspondence. It is a business correspondence partner for Arohan Financial Services Pvt Ltd, Belstar Microfinance, CSB Bank, Avanti Finance Private Limited and Jana Small Finance Bank.

Acuité believes that experience of the management and promoters will be central to support the business risk profile of the company.

### **Weakness**

#### **Moderate Financial performance albeit improving:**

The company's on-book portfolio has increased to Rs.31.47 crore as on March 31, 2024(Prov.) from Rs.19.93 crore as on March 31, 2023. GUFS has expanded its off-book exposure to Rs.159.55 crore as on March 31, 2024(Prov.). The company's PAT has increased to Rs 2.36 Crores in (prov.) FY24 from Rs 0.54 Cr. during FY 23. Though the networth has improved to Rs 19.48 Cr. it remains relatively small.

Acuité believes, going forward, the ability of the company to mobilise additional lower cost funding through debt/ sub debt and its ability to deploy the funds profitably to improve its financial performance will be a key rating monitorable.

#### **Risk inherent to microfinance segment**

The activities of microfinance companies like GUFS are exposed to concentration risks. GUFS has a presence in 2 states with a concentration in Odisha (99 percent of total AUM) and Chhattisgarh (1 percent of total AUM for FY24 (Prov.)). This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of GUFS.

Acuité believes that the company's modest scale of operations coupled with geographic concentration in the will continue to weigh on the company's credit profile over the near to medium term.

## Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in On-book portfolio
- Movement in liquidity buffers
- Movement in profitability metrics
- Changes in the regulatory environment

## Liquidity Position

### Adequate

Overall liquidity profile of G U Financial Services remains adequate in near to medium term. There are no cumulative mismatches in near to medium term buckets. GUFS borrowings stood at ~Rs. 17.72 crore with a gearing of ~0.91 times as on March 31, 2024 (Provisional). GUFS has maintained cash and cash equivalents of Rs. 2.31 crore as on March 31, 2024(Prov.) Acuité believes the ability of GUFS to raise long term funding (equity/debt) commensurate with its near term obligations will be critical to the maintenance of a stable liquidity profile.

### Outlook: Stable

Acuité believes that the GUFS will maintain a 'Stable' outlook over the medium term supported by its established presence in area of operation. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its on-book portfolio with improvement in profitability metrics and asset quality metrics while maintaining healthy capitalization levels. Conversely, the outlook may be revised to 'Negative' in case of challenges in attaining optimal collection efficiency or significantly higher than expected pressure on asset quality or profitability margins.

## Other Factors affecting Rating

None

## Key Financials - Standalone / Originator

Particulars	Unit	FY24	FY23
		(Prov.)	(Actual)
Total Assets	Rs Cr.	43.73	29.4
Total Income*	Rs Cr.	13.62	7.1
PAT	Rs Cr.	2.36	0.54
Networth	Rs Cr.	19.48	16.4
Return on Average Assets (ROAA)	(%)	6.46	1.59
Return on Net Worth (RoNW)	(%)	13.17	3.37
Total Debt/Tangible Net Worth (Gearing)	Times	0.91	0.63
Gross NPA's	(%)	1.78	0.32
Net NPA's	(%)	0.09	0.15

\*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>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Apr 2023	Term Loan	Long Term	5.00	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Term Loan	Long Term	1.71	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Term Loan	Long Term	1.00	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Term Loan	Long Term	0.17	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Term Loan	Long Term	1.04	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Term Loan	Long Term	1.00	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Proposed Long Term Bank Facility	Long Term	9.82	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
	Proposed Long Term Bank Facility	Long Term	70.00	ACUITE BB- (Downgraded & Withdrawn from ACUITE BB   Negative)
	Term Loan	Long Term	0.26	ACUITE BB-   Stable (Downgraded from ACUITE BB   Negative)
20 Jan 2022	Proposed Long Term Bank Facility	Long Term	90.00	ACUITE BB   Negative (Reaffirmed)
23 Aug 2021	Term Loan	Long Term	10.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BBB-   Negative)
	Proposed Long Term Bank Facility	Long Term	80.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BBB-   Negative)

## 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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.29	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	12 Mar 2018	Not avl. / Not appl.	01 Mar 2025	Simple	5.00	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Samunnati Financial Intermediation & Services Private Limited	Not avl. / Not appl.	Term Loan	29 Dec 2022	Not avl. / Not appl.	05 Jun 2026	Simple	2.38	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Friends of WWB	Not avl. / Not appl.	Term Loan	23 Mar 2023	Not avl. / Not appl.	31 Mar 2025	Simple	0.52	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Samunnati Financial Intermediation & Services Private Limited	Not avl. / Not appl.	Term Loan	13 Jul 2023	Not avl. / Not appl.	25 Sep 2026	Simple	4.58	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Samunnati Financial Intermediation & Services Private Limited	Not avl. / Not appl.	Term Loan	25 Oct 2023	Not avl. / Not appl.	25 Dec 2026	Simple	3.00	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Samunnati Financial Intermediation & Services Private Limited	Not avl. / Not appl.	Term Loan	29 Dec 2023	Not avl. / Not appl.	05 Jan 2028	Simple	0.60	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Friends of WWB	Not avl. / Not appl.	Term Loan	13 Mar 2024	Not avl. / Not appl.	13 Mar 2026	Simple	1.00	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Avanti Finance Private Limited	Not avl. / Not appl.	Working Capital Term Loan	21 Jun 2023	Not avl. / Not appl.	10 Nov 2025	Simple	0.63	ACUITE BB   Stable   Upgraded ( from ACUITE

								BB- )
--	--	--	--	--	--	--	--	-------



## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Nattasha Venkatesh Associate Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:nattasha.venkatesh@acuite.in">nattasha.venkatesh@acuite.in</a>	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.