



Press Release
Utrayan Financial Services Private Limited
October 16, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.91	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	35.09	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 14.91 Cr. bank facilities of Utrayan Financial Services Private Limited (UFSPL). The withdrawal is on account of request received from client, NOC received from lender and in accordance with Acuite's policy on withdrawal of ratings.

Acuite has withdrawn the long-term rating on the Rs. 35.09 Cr **proposed** bank facilities of Utrayan Financial Services Private Limited (UFSPL). The withdrawal is on account of request received from client and in accordance with Acuite's policy on withdrawal of ratings.

Rating Rationale

The rating continues to factor in the company's experienced management team and increased scale of operations. The company's AUM increased to Rs 258.22 Cr as on March 31, 2023 as compared to Rs 201.74 Cr as on March 31, 2022. The increase in AUM was on account of healthy disbursements in FY2023, with the total disbursements increasing to ~Rs 328.08 Cr. in FY2023 as compared to ~Rs 229.24 Cr. in FY2022. The AUM has further increased to Rs 298.49 Cr as on June 30, 2023 on account of growth in the off-book portfolio. Off-book portfolio constitutes ~35 percent of the total AUM as on June 30, 2023 (~3 percent as on March 31, 2022). The company reported sound asset quality with GNPA at 0.31 percent and Nil NNPA as on June 30, 2023. The rating is, however, constrained by UFSPL's geographically concentrated portfolio with the top 2 states (West Bengal and Bihar) contributing ~75 percent of the overall AUM as on March 31, 2023.

Acuite believes, going forward, the ability of the company to maintain comfortable capitalization levels along with stable asset quality in the light of continuously evolving economic scenario will be a key monitorable.

About the company

Utrayan Financial Services Private Limited incorporated in 1995) is RBI registered NBFC-MFI engaged in extending microfinance to through Joint Liability Group model. UFSPL is promoted by Mr. Kartick Biswas (Founder and Managing Director) and Mr. Apu Dhar (Director). In 2001 Mr. Kartick Biswas established a society named Sahara Utrayan with an objective to alleviate poverty through economic intervention and social empowerment. The existing promoters then acquired an NBFC - Chotanagpur Trade and Investments Private Limited in 2008 and later renamed it as Utrayan Financial Services Private Limited and transferred

business of Sahara Utrayan in 2009. UFSPL was registered as a NBFC-MFI in 2014.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of UFSPL to arrive at the rating.

Key Rating Drivers

Strength

Established track record of Promoters

Utrayan Financial Services Private Limited (UFSPL) is a Kolkata based Non-Banking Finance Company – Microfinance Institution (NBFC-MFI). UFSPL is promoted by Mr. Kartick Biswas, Founder and Managing Director and Mr. Apu Dhar, Director. The promoters have over two decades of experience in the financial services industry and has played a vital role in building the company's current scale and presence in West Bengal. Mr. Biswas and Mr. Dhar are adequately supported with 4 other non-executive directors, Mr. Bijon Choudhury – ex DGM UCO Bank, Mr. Anindya Sen – ex Sr. Vice President (Eastern Zone) Axis Bank, Mr. Kanchan Chakrabarti – ex DGM United Bank of India, Mr. Sridhar Venkata Subramania Rallabandi – former Chief Risk Officer in Laxmi Vilas Bank and 1 nominee director Mr. Prasenjit Chowdhury engaged with SIDBI. The members of the boards have over 3 decades of experience in banking and financial services across various functions like credit, treasury, risk management amongst others.

Acuité believes that the company's growth prospects will be supported by the promoters experience in the industry along with their demonstrated track record of resource raising ability.

Sound Asset Quality

UFSPL primarily focuses on lending to Joint-Liability Group (JLG) lending model to offer loans to women borrowers primarily engaged in income generating activities. The company has been able to maintain sound asset quality parameters since a significant portion of the company's lending is towards clients with repayment track record. The company reported sound asset quality with GNPA at 0.46 percent and Nil NNPA as of June 30, 2023.

Acuité believes that UFSPL's ability to maintain sound asset quality level in the near to medium term will be key monitorable.

Weakness

Risk inherent to microfinance segment

UFSPL primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks and it majorly focusses on the rural areas. Since financial assistance to economic challenged borrowers is a sensitive issue, from government standpoint 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. Further, the activities of microfinance companies like UFSPL are exposed to concentration risks. UFSPL has presence in 10 states with concentration in West Bengal (53.16 percent of total AUM), Bihar (25 percent of total AUM) as on December 31, 2022. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions.

Modest Profitability parameters; albeit improving

The financial risk profile of UFSPL moderated on account of reduction in Net Interest Income

during FY2023. The Net Interest Income for FY2023 decline to Rs. 14.40 Cr. from Rs. 15.40 Cr. in FY2022. The PAT marginally improved to Rs. 2.04 Cr in FY23 as compared to Rs. 1.49 Cr in FY22.

Acuité believes that the growth in AUM on account of increasing disbursements will be a key factor in the scalability of a business while maintaining the profitability.

Rating Sensitivity

- Decline in Profitability and asset quality. -
- Further increase in gearing levels.
- Increase in geographic concentration.
- Changes in regulatory environment governing micro finance activities

All Covenants

UF SPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position Adequate

As per the Asset Liability Management (ALM) statement dated March 31, 2023, UF SPL has no negative cumulative mismatches in all of its maturity buckets. The company has cash and bank balances of ~ Rs. 7 Cr. as on March 31, 2023.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	221.75	242.53
Total Income*	Rs. Cr.	24.43	18.62
PAT	Rs. Cr.	2.04	1.49
Net Worth	Rs. Cr.	47.49	37.95
Return on Average Assets (RoAA)	(%)	0.88	0.69
Return on Average Net Worth (RoNW)	(%)	4.79	4.02
Debt/Equity	Times	3.50	5.24
Gross NPA	(%)	0.31	1.45
Net NPA	(%)	0.00	0.44

*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>
- 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
28 Feb 2023	Proposed Long Term Loan	Long Term	50.00	ACUITE BBB- Stable (Assigned)

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 Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	35.09	Not Applicable Withdrawn
IDFC First Bank Limited	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.35	ACUITE BBB- Reaffirmed & Withdrawn
Bangiya Gramin Vikash Bank	Not Applicable	Term Loan	28 Feb 2023	14.90	28 Feb 2026	Simple	2.50	ACUITE BBB- Reaffirmed & Withdrawn
Small Industries Development Bank of India	Not Applicable	Term Loan	30 Mar 2022	10.50	08 Oct 2024	Simple	9.60	ACUITE BBB- Reaffirmed & Withdrawn
IDFC First Bank Limited	Not Applicable	Term Loan	10 May 2021	10.30	29 Sep 2023	Simple	1.46	ACUITE BBB- Reaffirmed & Withdrawn

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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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