



Press Release
Grameen Shakti Microfinance Services Private Limited.
October 17, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	15.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 15.00 crore bank facilities of Grameen Shakti Microfinance Private Limited (GSMPL). The outlook is '**Stable**'.

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 45.00 crore bank facilities of Grameen Shakti Microfinance Private Limited (GSMPL). The outlook is '**Stable**'.

Rating Rationale

The rating factors in experienced management, established presence in its areas of operation and moderate capitalization level. GSMPL's Capital Adequacy ratio (CAR) reduced to 26.44 percent as on March 31, 2023, from 27.24 percent as on March 31, 2022, on account of increase in risk weighted assets. The rating also factors improvement in AUM owing to growth in disbursements in Managed portfolio. The company's AUM stood at Rs 100.75 Cr. as on March 31, 2023, in comparison to Rs 56.52 Cr as on March 31, 2022. The rating also factors adequate asset quality due to prudent underwriting practices. The company reported a GNPA (own book) of 1.91 percent and NNPA (own book) of 0.96 percent as on Mar 31, 2023. The rating is however constrained by limited scale of operations, geographical concentration and modest financial performance albeit improving. Improvement in earnings profile is due to growth in AUM and disbursements. The company reported a PAT of Rs 1.63 Cr. during FY 2022-23 as compared to Rs 1.57 Cr. during FY 2021-22. The company reported a ROAA of 2.57 percent as on March 31, 2023 compared to 2.91 percent as on March 31, 2022.

About the company

West Bengal based Grameen Shakti Microfinance Private Limited (GSMPL) is a non-deposit taking NonBanking Financial Company – Micro Finance Institution (NBFC-MFI). The company is promoted by Mr. Ganesh Chandra Modak. Mr. Modak has been engaged in micro financing activities since 2004 when he established a society named Society for Model Grambikash Kendra for the social welfare and development along with microfinancing activities. In 2016, he then acquired an existing NBFC Srija Chemo Private Limited and renamed it to Grameen Shakti Microfinance Private Limited. GSMPL extends micro-credit primarily to women borrowers through Joint Liability Group (JLG) model. The company operates in the states of West Bengal, Bihar and Jharkhand through a network of 32 branches across 17 districts as on July 31, 2023.

Standalone (Unsupported) Rating
None

Analytical Approach

Acuite has taken a standalone approach to arrive at the rating.

Key Rating Drivers

Strength

Established presence in micro-finance segment.

GSMPL commenced its micro-finance operations in 2017, extending micro-credit to women borrowers engaged in income-generating activities under Joint Liability Group (JLG) model. The company caters to the rural and semi-urban areas of West Bengal, Bihar and Jharkhand. GSMPL focuses on providing financial assistance by way of providing micro-credit to the poor and underprivileged women in the society who are engaged in some income-generating activities. The company commenced its operations in West Bengal and has expanded its presence in the states of Bihar and Jharkhand with a network of 28 branches across 17 districts with a loan portfolio of Rs. 100.74 Cr. as on June 30, 2023 (March 31, 2023 100.75 Cr.). GSMPL is promoted by Mr. Ganesh Chandra Modak who has around two decades of experience in microfinance segment. He has been previously engaged with South Asia Research Society (NGO-MFI) since 1992 before establishing Society for Model Grambikash Kendra in 2004. Mr. Modak is well supported by his management team having experience in microfinance segment. As on FY2022, GSMPL has reported capital adequacy ratio (CAR) and leverage of 26.44 percent and 3.17 times (March 31, 2022: 27.24 percent and 3.13 times). As on June 30, 2023, CAR and leverage stood at 28.98 percent and 2.89 times respectively, the improvement in CAR is mainly on account of growth in off-book portfolio. The company has Rs. 34.5 Cr. of funds in pipeline from various banks like State Bank of India, Union Bank of India and Finstar Capital and its BC partners. The company has BC partnership with Ananya Finance for Inclusive growth, Monexo Fintech Private Ltd, ESAF Small Finance Bank, Catholic Syrian Bank (CSB) and SMGBK. GSMPL is also under final round of discussion with SIDBI for raising Tier 2 capital of Rs 3 Cr. which is expected to be disbursed by Q3FY24.

Acuite believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

Weakness

Modest scale of operations and Financial Risk Profile:

GSMPL has been in the micro-finance lending segment since 2017. The company has been able to build a portfolio of Rs. 100.75 Cr. as on Mar 30, 2023. Of the total AUM of Rs 100.75 Cr., on book portfolio comprised Rs 57.13 Cr. (~57 percent) with the balance Rs 43.62 Cr. (~43 percent) being off book portfolio. The company's AUM stood at Rs 56.52 Cr. as on March 31, 2022, as compared to Rs 44.43 Cr. as on March 31, 2021. The company reported a PAT of Rs 1.63 Cr. during FY 2022-23 as compared to 1.57 Cr. during FY 2021-22. The company reported a ROAA of 2.57 percent as on March 31, 2023, compared to 2.91 percent as on March 31, 2022. The company's NIM reduced to 7.76 percent as on March 31, 2023 as compared to 8.12 percent as on March 31, 2022 this was due to muted movement in the interest income resulting from moderate improvement in owned portfolio.

Risk inherent to microfinance segment; challenging operating environment may result in elevated stress in asset quality:

The activities of microfinance companies like GSMPL are exposed to concentration risks. GSMPL has presence in 3 states with a concentration in West Bengal (~44 percent), Bihar (~41 percent) and Jharkhand (~16 percent) of total portfolio as on June 30, 2022. 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 GSMPL. Acuite believes that constraining additional slippages while maintaining the growth in the loan portfolio will be crucial.

Rating Sensitivity

- Impact of natural calamities on ongoing operations
- Movement in collection efficiency and asset quality
- Movement in profitability metrics
- Ability to raise funds

All Covenants

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

Liquidity Position

Adequate

GSMPL's overall liquidity profile remains moderate in near to medium term. GSMPL's borrowings stood at ~Rs. 46 crore with a gearing of ~2.89 times as on Jun 30, 2023 (provisional). The company also avails a cash credit facility almost fully utilized. It has maintained cash and bank balance of ~Rs. 2.15 crore as on June 30, 2023 (Provisional). As per ALM statement dated June 30, 2023, the company's assets and liabilities are well matched with no deficit in any of the time buckets upto 5 years.

Outlook: Stable

Acuité believes that GSMPL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	68.41	58.28
Total Income*	Rs. Cr.	7.23	5.28
PAT	Rs. Cr.	1.63	1.57
Net Worth	Rs. Cr.	15.86	13.65
Return on Average Assets (RoAA)	(%)	2.57	2.91
Return on Average Net Worth (RoNW)	(%)	11.03	12.21
Total Debt/Tangible Net worth (Gearing)	Times	3.17	3.13
Gross NPA (Own Book)	(%)	1.91	0.03
Net NPA (Own Book)	(%)	0.96	0.01

*Total income equals to Net Interest Income

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

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
15 Mar 2023	Proposed Bank Facility	Long Term	15.00	ACUITE BB+ Stable (Reaffirmed)
15 Dec 2021	Proposed Bank Facility	Long Term	15.00	ACUITE BB+ Stable (Reaffirmed)
15 Sep 2020	Proposed Bank Facility	Long Term	10.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	5.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)

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 Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	18.75	ACUITE BB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.33	ACUITE BB+ Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.23	ACUITE BB+ Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.35	ACUITE BB+ Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.40	ACUITE BB+ Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.94	ACUITE BB+ Stable Assigned

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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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