



Press Release
Sahyog Development Services
July 10, 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 from **'ACUITE BB'** (read as **ACUITE double B**) to **'ACUITE BB+'** (read as **ACUITE double B plus**) on the Rs. 20.00 Cr. bank facilities of Sahyog Development Services (SDS). 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 1.67 Cr. during FY2024 (Provisional) as compared to Rs 0.59 Cr. during FY2023, (Rs 0.31 Cr. during FY2021-22). The company has maintained Capital Adequacy Ratio (CAR) of 40.21 percent in (Provisional) FY24, (33.80 percent as on March 31, 2023 and 28.32 percent as on March 31, 2022). The company's on-book asset quality was marked by on-time portfolio of 98 percent with GNPA's at 0.1 percent as on March 31, 2024 (Provisional) supported by overall collection efficiency of 96.16 percent). The rating also factors growth in AUM and disbursements. The company reported an AUM of Rs 101.64 Cr. as on March 31, 2024 (Provisional) which has improved from Rs 51.27 Cr. as on March 31, 2023 (Rs 30.69 Cr. as on March 31, 2022). The company's disbursements increased to Rs 109.92 Cr. for FY2024 (Provisional) from Rs 52.11 Cr. for FY2023 (Rs 28.29 Cr. during FY 2021-22.)

Going forward, the ability to leverage on experience of management, maintain comfortable capitalization levels and profitably scale up its operations while maintaining its asset quality and collection efficiency will be a key rating monitorable.

About the company

Sahyog Development Services (SDS) is registered as a not-for-profit Section 8 Company under Companies Act, 2013. SDS was incorporated on 2014. The company has 100% operations in Bihar. The company is promoted by personnel having vast experience in microfinance field operations. Mr Raman Shyam Singh is the founder and director who has worked for SKS Microfinance, Arohan Financial Services, Microsave India Private Ltd and EDA Rural Systems/M-CRIL. Mr Raman Shyam Singh has done his PGDM from Institute of Rural Management Anand (IRMA). Mr Raman Shyam Singh is supported by Mrs Nitu Kumari (Director), Mr Ratna Priya (Director) and Mrs Binod Kumar Das (Director). The organization started its microfinance activity with sanitation/toilet retail finance. The company has diversified its portfolio by introducing Income generation Loans (IGL) given for Agriculture & Allied activities, Enterprise Loans and E-Rickshaw Loans.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strength

Established Prescence in Micro Finance Segment:

SDS Commenced its operations in 2014, extending Toilet loans/ Sanitation loans under the Joint Liability Group (JLG) model. The company has diversified its portfolio by introducing Income generation Loans (IGL) given for Agriculture & Allied activities, Enterprise Loans and E-Rickshaw Loans. The company has 100% operations in Bihar. It has a network of 45 branches with a loan portfolio of Rs 86.10 Cr. as on March 31, 2024(Provisional) . SDS is promoted by Mr Raman Shyam Singh. Mr Raman Shyam Singh is the founder and director who has worked for SKS Microfinance, Arohan Financial Services, Microsave India Private Ltd and EDA Rural Systems/M-CRIL. Mr Raman Shyam Singh has done his PGDM from Institute of Rural Management Anand (IRMA).He is supported by Mrs Nitu Kumari (Director), Mr Ratna Priya (Director) and Mrs Binod Kumar Das (Director).

Acuité believes that SDS will continue to benefit from its established presence and experience of the promoters in the microfinance segment.

Healthy asset quality and Adequate capitalisation levels:

SDS primarily focuses on extending Toilet loans/ Sanitation loans, Income generation Loans (IGL) given for Agriculture & Allied activities, Enterprise Loans and E-Rickshaw Loans. The company is able to maintain sound asset quality as significant portion of borrowers have a repayment track record. The healthy asset quality is marked by its on-time portfolio at 98 percent as on March 31, 2024 (Provisional) . This improvement is supported by healthy collections where overall collection efficiency is 96.16 percent for FY 2024 (Provisional). The company reported GNPA (90 dpd & above) at 0.10 percent as on March 31, 2024 (Provisional) (0.10 percent as on March 31, 2023 and 0.65 percent as on March 31, 2022). The company has maintained Capital Adequacy Ratio (CAR) stood at 40.21 percent as on March 31, 2024(Provisional) (33.80 percent as on March 31,2023 and 28.32 percent as on March 31,2022) . The company has maintained a Capital Adequacy Ratio (CAR) increase due to growth in off book portfolio. The overall AUM level stood at Rs 101.64 Cr. as on March 31, 2024 (Provisional) (Rs 51.27 Cr. as on March 31, 2023, Rs 30.69 Cr. as on March 31, 2022 and Rs 15.02 Cr. as on March 31, 2021).

Acuité believes that going forward the ability of the company to maintain sound asset quality and adequate capitalization levels will be key rating sensitivity.

Weakness

Modest Financial performance albeit improving:

The overall AUM level stood at Rs 101.64 Cr. as on March 31, 2024(Provisional) (Rs 51.27 Cr. as on March 31, 2023, Rs 30.69 Cr. as on March 31, 2022 and Rs 15.02 Cr. as on March 31, 2021). Improvement in earnings profile is due to increase in AUM. The company reported PAT of Rs 1.67 Cr. during March 31, 2024 (Provisional) (Rs 0.59 Cr. during March 31, 2023 and Rs 0.31 Cr. during March 31, 2022). The company has expanded its managed portfolio resulting in marginal decline in Net Interest Margin (NIM). The company has reported a NIM of 4.55 percent as on March 31, 2024 (Provisional) , 8.40 percent as on March 31, 2023, 10.16 percent as on March 31,2022 (11.36 percent as on March 31,2021). RoAA of the company stood at 2.07 times as on March 31, 2024 (Provisional) (1.36 times as on March 31,2023 and 1.32 times as on March 31,2022).

Acuité believes that the improvement in its financial performance would remain key rating monitorable.

Modest Scale of operations; Geographical concentration risk

The company commenced its operations in 2014 and currently operates through a network of 45 branches located across 17 districts in state of , Bihar. Its Assets Under Management (AUM) stood at Rs. 101.64 Cr. as on March 31, 2024 (Provisional) and Rs. 51.27 Cr. as on March 31, 2023. Of the total AUM of Rs. 101.64 Cr., on book portfolio comprised Rs. 25.07 Cr. with the balance Rs. 76.57 Cr. being managed portfolio. This growth in AUM in recent period is driven

by management's decision to increase its scale of operations. Against this backdrop, the company has highly concentrated portfolio with Bihar alone contributing ~100 percent of the overall AUM as on March 31, 2024 (Provisional) . Resultantly, the company's performance is expected to remain exposed to competitive landscape in these areas and occurrence of events such as natural calamities may adversely impact the credit profile of the borrowers. Acuité believes that the company's modest scale of operations coupled with geographic concentration will continue to weigh on the company's credit profile over the near to medium term.

Susceptibility to risks inherent to microfinance segment

SDS primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. 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 SDS 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.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability and capitalisation buffers
- Changes in regulatory environment

Liquidity Position

Adequate

Sahyog Development Services overall liquidity profile remains adequate in near to medium term. There are no cumulative mismatches in near to medium term buckets. SDS borrowings stood at ~Rs. 86.10 crore with a gearing of ~1.68 times as on March 31, 2024 (Provisional) . The company has maintained cash and cash equivalents of ~Rs. 3.24 crore as on March 31, 2024 (Provisional).

Outlook: Stable

Acuité believes that SDS will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio on account of high disbursements 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 loan portfolio and asset quality, thereby impacting profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Key Financials	Unit	FY2024 (Prov)	FY 2023 (Actual)
Total Assets	Rs in Cr.	106.18	54.46
Total Income*	Rs in Cr.	9.03	4.48
PAT	Rs in	1.67	0.59

	Cr.		
Networth	Rs in Cr.	10.08	7.78
Return on Average Assets (RoAA)	%	2.07	1.36
Return on Net worth (RoNW)	%	18.65	8.77
Total Debt/ Tangible Net worth (Gearing)	Times	1.68	2.21
Gross NPA	%	0.10	0.10
Net NPA	%	0.00	0.00

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>
- 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, Acuite 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
12 Apr 2023	Term Loan	Long Term	0.36	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.52	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	5.86	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.36	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.31	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.15	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.42	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	9.02	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB 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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.75	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Nabsamruddhi Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Nov 2024	Simple	0.64	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Nabsamruddhi Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2026	Simple	1.89	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Friends of WWB	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	1.43	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Friends of WWB	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	3.02	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Muthoot Microfin	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Oct 2024	Simple	0.55	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Ananya Finance For Inclusive Growth Private Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Apr 2025	Simple	0.46	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Rar Fincare Limited	Not avl. / Not	Term Loan	Not avl. / Not appl.	Not avl. / Not	16 Dec 2025	Simple	0.56	ACUITE BB+ Stable Upgraded

	appl.			appl.				(from ACUITE BB)
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jun 2024	Simple	0.08	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Friends of WWB	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2024	Simple	1.62	ACUITE BB+ Stable Upgraded (from ACUITE BB)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Nattasha Venkatesh Associate Analyst-Rating Operations Tel: 022-49294065 nattasha.venkatesh@acuite.in	Varsha Bist Associate Vice President-Rating Administration 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.

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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.