



**Press Release**  
**SERVITIUM MICRO FINANCE PRIVATE LIMITED**  
**July 05, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

**Rating Rationale**

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.25.00 Cr. bank facilities of Servitium Micro finance Private Limited (SMPL). The outlook is '**Stable**'.

**Rationale for the rating:**

The rating takes into account the growth in AUM, healthy collection efficiency and comfortable leverage position on account of equity infusion. The growth in AUM is on the back of growth in disbursements, equity infusion and increased borrowings. The AUM stood at Rs.81.75 Cr. as on March 31, 2024(Prov) increasing from Rs 54.83 Cr. as on March 31, 2023. The disbursement volumes grew to Rs. 127.06 Cr. as on March 31, 2024(Prov) from Rs. 94.64 Cr. in FY23. CAR of 42.26 percent as on March 31, 2024(Prov) (42.45 percent as on March 31, 2023.). The rating is however, constrained by its modest scale of operations and geographic concentration and risks inherent to micro finance sector.

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**

Servitium Micro Finance Private Limited (SMFPL), incorporated in 1995. The company is engaged in business of providing loans to women. The present directors of the company are Mr. Subrata Ghosh, Ms. Rita Ghosh, Mr. Chanchal Majumder and Mr. Partha Sengupta. The registered office of the company is in Kolkata.

**About the Group**

The servitium group comprises of two entities named as Servitium Micro Finance Private Limited (NBFC -MFI) and Seba Rahara (NGO-MFI). Servitium Micro Finance Private Limited (SMFPL), incorporated in 1995. Seba Rahara is an NGO Microfinance Trust which is registered as a society on 28th March 2006 under West Bengal Societies Registration Act, 1961 and started its microfinance services in the month of June 2006, with a disbursement of loan to groups. Seba Rahara is currently debt free and is not taking or disbursing any further loans. Going forward major loan disbursement and operations will be conducted only in Servitium Micro Finance Private Limited.

**Unsupported Rating**

Not Applicable

**Analytical Approach****Extent of Consolidation**

- Full Consolidation

## **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profiles of Servitium Microfinance Private Limited and Seba Rahara for arriving at the rating. The consolidation is in view of common promoters and management, integrated businesses, shared brand name, and significant operational and financial linkages between these entities.

## **Key Rating Drivers**

### **Strength**

#### **Adequate capitalization level and healthy asset quality**

Since inception Servitium has raised a cumulative equity capital of Rs.13.99 Cr. till FY23-24. The same has aided the capitalization level as reflected by a CRAR of 42.26 percent as on March 31,2024 (Prov). The company's net worth stood at Rs 26.44 Cr. on March 31,2024 (Prov). The gearing stood comfortable at 2.10 times as on March 31,2024 (Prov). The Group has healthy asset quality with 99.50 percent of on time portfolio and GNPA's at 0.21 percent on March 31, 2024 (Prov). VFPL has reported an average overall collection efficiency for 12 months ended March 31, 2024 (Prov) at ~99.54 percent.

Going ahead, Acuité expects SMPL to timely infuse equity while raising incremental debt to maintain its capitalization.

#### **Significant Growth in AUM and disbursements:**

The Group experienced a surge in its assets under management (AUM ) due to increase in disbursements. The AUM stood at Rs.81.75 Cr. (on book of Rs 60.91 Cr. and off book of Rs 20.84 Cr.) as on March 31,2024 (Prov) against Rs 54.83 Cr.(Rs.54.11 Cr. on book and Rs.0.72 Cr.)as on March 31,2023. Additionally, the company strategically raised debt, resulting in a total outstanding loan amount of 53.70 Crore for FY24 (Prov). This bolstered the on-book disbursement to Rs.103.56 Crore in FY24(Prov), a substantial increase from Rs 93.82 Crore in FY23. Moreover, SMPL enhanced its business correspondence relationships, further contributing to its growth.

### **Weakness**

#### **Geographically concentrated operations:**

The Group's portfolio is highly concentrated in West Bengal with 70.32 percent of the portfolio towards unsecured loans. It makes SMPL vulnerable to policy changes and/or any other changes in the region affecting the business. The company has plans to further expand its network to states such as Jharkhand. Acuite believes that improving the capitalization levels and expanding the business while maintaining the growth in earning profile will be crucial.

#### **Susceptibility to risks inherent to microfinance segment:**

Servitium primarily extends unsecured loans to economically challenged borrowers with a prime focus on women 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 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

SMPL overall liquidity profile remains adequate in near to medium term. The company's assets and liabilities are well matched with no cumulative deficit in near to medium term time buckets. SMPL's borrowings stood at ~Rs. 53.70 crore with a gearing of ~2.10 times as on March 31, 2024(Prov). The company has maintained cash and bank balance of ~Rs. 7.50 crore as on March 31, 2024(Prov).

## Outlook:Stable

Acuité believes that Servitium 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

Particulars	Unit	FY24 (Provisional)	FY23 (Actual)
Total Assets	Rs. Cr.	69.71	35.80
Total Income*	Rs. Cr.	6.98	3.20
PAT	Rs. Cr.	2.08	1.45
Networth	Rs. Cr.	14.37	10.68
Return on Average Assets (RoAA)	(%)	3.94	5.63
Return on Net Worth (RoNW)	(%)	16.59	15.91
Total Debt/Tangible Net Worth (Gearing)	Times	3.75	2.25
Gross NPA's	(%)	0.20	0.10
Net NPA's	(%)	0.00	0.00

\*Total income equals to Net interest income plus other income

## Key Financials (Consolidated)

Particulars	Unit	FY24 (Provisional)	FY23 (Actual)
Total Assets	Rs. Cr.	83.86	66.21
Total Income*	Rs. Cr.	10.29	7.87
PAT	Rs. Cr.	3.39	2.80
Networth	Rs. Cr.	26.44	21.45

Return on Average Assets (RoAA)	(%)	4.52	4.31
Return on Net Worth (RoNW)	(%)	14.16	14.58
Total Debt/Tangible Net Worth (Gearing)	Times	2.10	2.01
Gross NPA's	(%)	0.21	0.39
Net NPA's	(%)	-	-

\* Total income equals to Net interest income plus other income

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

None

#### **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](http://www.acuite.in).

#### **Rating History:**

Not Applicable

### 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	25.00	ACUITE BBB-   Stable   Assigned

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Company Name
1	Seba Rahara
2	Servitium Microfinance Private Limited

## Contacts

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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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