



Press Release

UFIN FINANCIAL SERVICES LIMITED (ERSTWHILE MSM MICRO FINANCE LIMITED)

April 22, 2025

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.50	ACUITE BB+ Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	24.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 24.50 crore bank facilities of Ufin Financial Services Limited (Erstwhile MSM Micro Finance Limited)(UFIN). The outlook is revised from '**Stable**' to '**Negative**'.

Reason for Rationale:

The revision in the rating outlook factors in a significant deterioration in the earning profile, which is due to the ongoing stress in the micro-finance (MFI) segment. The earning profile has also been affected adversely where the profitability at FY24 was Rs. 1.34 Cr. and subsequently registered a PAT of Rs. 0.21 Cr. at 9MFY25. Furthermore, the asset quality has deteriorated, marked by a GNPA of 2.25 percent as on Dec 31, 2024, where the GNPA was 1.33 percent in March 31, 2024. The rating is also constrained on account of UFIN's high off book exposure which stood at ~68 percent of its AUM of Rs 134.91 Cr. as on 9MFY2025. However the rating continues to factor in UFIN's healthy capitalization, experienced management, support of resourceful promoters. Capital infusion by promoters of Rs 2.66 Cr. during FY2024 have contributed to the company's Capital adequacy ratio of 67.18 percent as on Mar 31, 2024.

Acuite believes that the company's ability to timely infuse capital, improved network base, and improvement in the profitability metrics, while keeping the momentum in growth of AUM, and disbursements would be a key rating monitorable.

About the company

Ufin Financial Services Limited (Erstwhile MSM Micro Finance Limited), incorporated in 1996, the present promoters acquired the company in 2010 is engaged in the financing of income-generating activities and agricultural activities in Tamil Nadu, Gujarat, Madhya Pradesh and Pondicherry. The company is also has a partnership model with Fincare small finance bank and several non-banking finance companies such as MAS Financial Services Limited, Kaleidofin Capital Pvt. Limited, Monexo Fintech and Ananya Finance Limited. UFIN originates loans on behalf of these NBFCs and is responsible for credit appraisal, monitoring and collections of receivables from the portfolio.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of UFIN Financial Services Limited

(Erstwhile MSM Micro Finance Limited) to arrive at the rating.

Key Rating Drivers

Strength

Experienced management and long track record of operations

The day-to-day operations are led by Mr. Mohan Kumar Subramanyam, Chairman and Managing Director, Mr. P.S.V. Vasanth – Joint Managing Director, Mr. Prem kumar – Executive director, Mr. Sudhansu Sekar – DGM

Operations and Mr.Sudhakar – DGM Finance. The management has been in the microfinance industry for over two decades. The company has long term relations with various financial institutions. Besides, UFIN has been able to enter into partnership model relationships with various Banks and NBFCs. Under the partnership model, UFIN extends advances to low income groups for undertaking income generating activities and is responsible for post disbursement monitoring and supporting recovery. UFIN also provides a first loss facility to cover a predetermined proportion of delinquencies in the asset pool. The company has 57 branches across four states and reported Assets Under Management (AUM) (on-balance sheet loan book plus managed portfolio) of Rs. 134.91 crore on 9MFY25 as against Rs.150.41 crore on 31 March, 2024. On the back of its experienced management and relationships with coveted financial institutions, Acuite expects UFIN's AUM to report sustained growth over the medium term.

Weakness

Degrowth in AUM growth and asset quality Asset Quality;

The company's loan portfolio registered a degrowth to Rs. 134.91 Cr. on Dec 31, 2024, as against Rs. 150.41 Cr. as on March 31, 2024. UFIN's asset quality has also deteriorated to a GNPA of 2.25 percent as on Dec 2024 from 1.33 percent as on March 24. Company's on-time portfolio is marked by 99.03 percent in FY24 and 96.65 percent in 9MFY25. Overall collection efficiency for average six month ending Dec'24 stood at 79.67 percent.

Acuite believes that UFIN's ability sustain the growth in its loan book, while maintaining sound asset quality level in the near to the medium term will be key rating monitorable.

Subdued profitability metrics:

UFIN was incorporated in 1996, the present promoters acquired the company in 2010; engaged in the financing of income-generating activities and agricultural activities in the states of Tamil Nadu, Gujarat and Madhya Pradesh and Pondicherry, the company expanded their branch network from 51 in March 31, 2024, to 57 in Dec 31, 2024, as to improve its borrower base. This expansion resulted in high operating expenses primarily driven by staff expenses leading to subdued profitability metrics, where the company reported PAT of Rs 0.21 Cr. at 9MFY25. Moreover the earning profile was further subdued due to the stress in the MFI segment which has created a requirement to increase their provisioning which has also contributed their subdued earning profile at 9MFY25.

The company's ability to expand while maintaining its profitability will be key monitorable.

Risk inherent to the microfinance segment

The activities of microfinance companies like UFIN are exposed to the concentration risks. The company has presence in 5 states with a concentration in Tamil Nadu (~87 percent), MP (~1.20 percent), Gujrat (~7 percent), Kerala (~3 percent) and Pondicherry (~4.50 percent) of total portfolio as on Dec 30,2024. This exposes the company to high geographical concentration risk. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of Ufin Financial Services Limited.

Rating Sensitivity

- Movement in asset quality metrics.
- Movement in the profitability metrics.
- Movement in liquidity buffers.
- Changes in regulatory environment.

Liquidity Position

Adequate

UFIN's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2024. The company's liquidity position is supported by unencumbered Cash and Bank Balance of Rs 0.62 Cr. as on March 31, 2024.

Outlook:

Negative

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets**	Rs. Cr.	63.63	55.78
Total Income*	Rs. Cr.	12.00	12.92
PAT	Rs. Cr.	1.34	0.82
Networth	Rs. Cr.	22.78	17.50

Return on Average Assets (RoAA)	(%)	2.25	1.75
Return on Net Worth (RoNW)	(%)	6.67	5.00
Total Debt/Tangible Net Worth (Gearing)**	Times	1.65	2.01
Gross NPA	(%)	1.33	1.45
Net NPA	(%)	Nil	Nil

**Total income equals to Total Income net off interest expense*

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, 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
23 Jan 2024	Proposed Long Term Bank Facility	Long Term	4.50	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Proposed Long Term Loan	Long Term	20.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
12 Jul 2023	Proposed Long Term Bank Facility	Long Term	4.50	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	20.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
20 Apr 2022	Proposed Long Term Bank Facility	Long Term	4.50	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	20.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.50	Simple	ACUTE BB+ Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUTE BB+ Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

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