



## Rating Rationale

Uttrayan Financial Services Pvt Ltd

8-Mar-2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 129.04 Crores of Uttrayan Financial Services Pvt Ltd (The Company or “UFSPL”).**

## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	129.04	Long Term	<b>BWR BBB</b> [BWR Pronounced Triple B] (Outlook:Stable)
<b>Total</b>	<b>129.04</b>	<b>INR One Hundred Twenty Nine Crores and Four Lakhs Only</b>	

*\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-II*

## Ratings: Assigned

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating derives strength from long experience of promoters for more than two decades, continuous improvement in financial performance for last three years, liquidity profile as reflected in ALM, satisfactory profitability margin & asset quality and steps taken to diversify its loan portfolio to other states. However, the rating is constrained by relatively small scale of operations and regulatory & political risks inherent in the industry. Going forward, the ability of the Company to scale up its operations without compromising on the profitability margin, asset quality and capital adequacy ratio will be the rating sensitivities.

### Description of Key Rating Drivers

- **Credit Strengths:**

#### **Experienced promoters:**

The promoters are experienced in the MFI business for more than a decade and professional management team with past experience in micro-lending which supports the Company to sustain in unsecured lending business.



**Satisfactory Asset quality:**

The Company has been able to maintain asset quality despite the imbalance brought about by the demonetisation in Nov 2016, which had cascading effect on the assets of the MFI. However, the asset quality remained at comfortable level, with GNPA ratio remaining relatively stable at 0.18% and NNPA at -0.35% respectively as on March 31, 2017.

**Comfortable liquidity profile:**

The liquidity is comfortable with the tenure of its assets being shorter than that of its liabilities. The Company's asset liability is matching and expected to remain comfortable for short term. However, a regular cash in flow is crucial to honour debt obligation and scale up its own portfolio.

**Improvement in the financial performance in FY17 & 10MFY18:**

The Company has taken necessary steps to improve own loan portfolio as reflected in operating income of ₹ 28.99 Crs and PAT of ₹ 5.83 Crs for 10MFY18. The promoters are in the advanced stage of improving tangible net worth from ₹ 16.39 Crs to ₹ 30.95 Crs by March 31, 2018 and expected to improve AUM to ₹ 220 Crs in FY18.

- **Credit Risks:**

**Small size of operations:**

UFSPL's asset under management (including managed portfolio) has increased from ₹ 90.09 Crs in FY16 to ₹ 137.78 Crs and it is expected to increase to ₹ 220 Crs in FY18, but the Company's scale of operation continues to remain relatively small in MFI industry. Partially offset by diversifying its portfolio to ~89% in 6MFY18 from 93% in FY17.

**Regulatory risks & socio political risks inherent in the industry:**

The sector faces socio-political risks, regulatory uncertainty but has huge unmet potential demand in East and North East region.

**Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

**Rating Outlook: *Stable***

BWR believes the **Uttrayan Financial Services Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the Company shows considerable improvement in



AUM without any deterioration in asset quality, capital adequacy and profitability. The rating outlook may be revised to 'Negative' if the capital adequacy, asset quality and profitability show lower than expected growth in AUM.

### About the Company

Uttrayan Financial Services Private Limited (UFSPL) is a NBFC-MFI, was incorporated in April 1995. In October 2008, UFSPL was taken over by the current promoters, Mr. Kartick Biswas and Mr. Apu Dhar, with the objective of transferring its microfinance loan portfolio from an NGO [Sahara Uttrayan (SU)] to a NBFC . Subsequently, the entire loan portfolio of SU was transferred to UFSPL in Feb 2009. UFSPL has adopted JLG lending model, at present the area of operation of UFSPL is in Assam, Bihar, Meghalaya and West Bengal. Currently, it is in the process of expanding to Odisha. It has 70 branches with an AUM of ₹ 117.82 Crs as of September 30, 2017 and an active borrowers base of 1,03,387.

### Company Financial Performance

UFSPL reported a significant improvement in net revenue from ₹ 14.53 Crs in FY16 to ₹ 20.91 Crs in FY17 due to significant growth in its loan portfolio. Similarly PAT also improved to ₹ 2.65 Crs in FY17 from ₹ 1.65 Crs in FY16. The Company's cost of borrowings is 15.76% and lending rate is around 25% which is within margin cap (12%) prescribed by RBI for MFIs having portfolio not exceeding ₹ 100 Crs.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	129.04	<b>BWR BBB (Outlook:Stable)</b>	-	-	-
	<b>Non Fund Based</b>	Short Term	0.00	-	-	-	-
	<b>Total</b>		<b>129.04</b>	<b>₹ One Hundred Twenty Nine Crores Four Lakhs Only</b>			



**Uttrayan Financial Services Private Limited**

**Key Financial Indicators**

**Annexure I**

<b>Particulars</b>	<b>Unit</b>	<b>FY16 (A)</b>	<b>FY17(A)</b>
Own Portfolio O/S	₹ Crs	37.40	73.15
Gross NPA	%	0.29	0.18
Net NPA	%	0.00	0.00
Net Interest Income	₹ Crs	9.46	12.85
PAT	₹ Crs	1.65	2.65
Net Interest Margin	%	9.37	9.96
Tangible Net Worth#	₹ Crs	9.36	16.39
CRAR	%	24.62	22.45

*#Tangible Net Worth includes Tier II capital*



**Uttrayan Financial Services Private Limited**  
**Bank & Loan Wise Breakup**  
**Annexure II**

<b>Bank / Financial Institution</b>	<b>Sanction amount as per Sanction Letter</b>	<b>O/s as on 31-1-2018*</b>
Maanaveeya Development & Finance P Ltd	12.00	6.09
Reliance Commercial Finance Ltd	10.00	7.44
MAS Financial Services Ltd	35.00	19.38
Small Industries Development Bank of India	2.00	0.30
Small Industries Development Bank of India	4.00	4.00
UCO Bank	25.00	16.21
IDBI Bank	3.00	1.75
Bandhan Bank	18.00	14.86
Union Bank Of India	5.00	4.25
Bank Of Baroda	1.80	1.29
Habitat Micro Build India Housing Finance Company P Ltd	7.50	6.93
Ananya Finance Pvt Ltd	5.00	2.33
Capital First	5.00	4.86
The South Indian Bank	3.00	3.00
Avanse Financial Services Limited	5.00	3.72
Laxmi Vilas Bank	2.00	2.00
Dhanlaxmi Bank	2.00	2.00
Yes Bank	22.00	18.63
Bangiya Gramin Vikash Bank	10.00	10.00
<b>Total</b>	<b>177.30</b>	<b>129.04</b>

*\*The Company has subordinated debt (Tier II capital) of ₹ 5 Crs from Capital First Limited, which is not included in the rating exercise.*



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Bank & Financial Institutions](#)

For any other criteria obtain hyperlinks from website

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### Note on complexity levels of the rated instrument:

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### About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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