

Press Release

Sampark Fin Services Private Limited

February 28, 2020

Rating Reaffirmed and Assigned

Total Bank Facilities Rated	Rs. 30.00 crore (Enhanced from Rs. 15.00 crore)
Long Term Rating	ACUITE BB/ Stable (Reaffirmed; Assigned)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB' (read as ACUITE double B)** to the Rs. 15.00 crore bank facilities of Sampark Fin Services Private Limited (SFPL). The outlook is '**Stable**'.

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About SFPL:

Incorporated in 2015, Sampark Fin Services Private Limited (SFPL) is an Odisha based NBFC. SFPL is engaged in extending micro-credit loan to individuals and joint liability groups with an aim to promote financial inclusion among women in the areas of Odisha and Bihar.

The company operates through a network of 15 branches spread across states of Odisha and Bihar and caters to 1,521 joint liability groups with 8,320 borrowers as on September 30, 2019.

Analytical Approach

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

Key Rating Drivers

Strengths

• Extensive experience of the management

SFPL is an Odisha based NBFC engaged in extending microfinance loans to individuals and borrowers organized in Joint Liability Groups. SFPL majorly operates in regions of Odisha which lack financial inclusion. The company is supported by promoters having vast experience in the social upliftment of the people in areas of Odisha through various livelihood and financial programs. The company is led by Managing Director Mr. Jugala Kishore Pattanayak who is also the co-founder of Mahashakti Foundation. He has worked as a social entrepreneur for over two decades in association with Oxfam, UNICEF, DFID (Department for International Development) and CARE. Other directors at the company also have vast experience in livelihood and micro-financing operations.

The business model of SFPL dovetails with the other venture of the promoters like Mahashakti foundation in Odisha, the key target area of SFPL. The company has managed to build its outstanding portfolio of Rs. 19.1 crore as on September 30, 2019 with GNPA of 0.16 percent at a collection efficiency averaging 97.65 percent for six months ended September 30, 2019.

Acuité believes that the company's growth prospects will be supported by management's extensive experience.

Weaknesses

• Challenges faced in operating environment

SFPL is engaged in unsecured lending to marginal borrower with limited ability to absorb income shocks. The microfinance sector operates in economically backward areas, wherein regulatory intervention is prominent. This exposes the segment to regulatory risks. The geographically concentrated nature of operation exposes the company to concentration risk. Any natural calamity or adverse manmade event in the region can impact the cash flows of the borrowers which in turn will have an adverse impact on the

overall credit profile of players such as SFPL.

SFPL's funding profile comprises term loans from Bank's/FI's and the company is currently leveraged at 2.93 times as on September 30, 2019. Consequent to the recent NBFC crises banks and FIs have become more selective in lending to NBFCs. Hence, NBFC/MFIs such as SFPL could face challenges in raising fresh debt at sustainable pricing to support their on-book growth.

Acuité believes that SFPL's ability to manage its capital structure and profitability metrics while scaling up its operations will remain a key rating sensitivity.

Rating Sensitivity

- Movement in capital structure
- Deterioration in profitability metrics and asset quality

Material Covenants

None

Liquidity: Adequate

SFPL liquidity profile is adequately managed with no cumulative negative mismatch in near time buckets upto 1 year based on the ALM statement as on September 30, 2019. This is primarily on account well managed maturity profile of assets vis. a vis. borrowing. The loan assets of SFPL are for an average tenure of 12-24 months, while the borrowings are relatively longer tenured with maturity in the range of 15-36 months, leading to positive mismatches in 1-year time bucket.

Outlook: Stable

Acuité believes SFPL's maintain a stable credit profile on the back of established presence of promoters in micro-lending. The outlook may be revised to 'Positive' in case of higher than expected growth in scale of operations while improving profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or further deterioration in profitability metrics.

About the Rated Entity - Key Financials

Particulars	Unit	FY19 (Actual)	FY18 (Actual)
Total Assets	Rs. Cr.	19.16	5.89
Total Income*	Rs. Cr.	0.80	0.35
PAT	Rs. Cr.	0.07	0.14
Networth	Rs. Cr.	5.15	3.43
Return on Average Assets (RoAA)	(%)	0.58	3.35
Return on Net Worth (RoNW)	(%)	1.68	4.89
Total Debt/Tangible Net Worth (Gearing)	Times	2.65	0.67
Gross NPA's	(%)	0.07%	0.00%
Net NPA's	(%)	-	-

* Total income equals to Net interest income plus other income

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/criteria-complexity-levels.htm>**Rating History (Upto last three years)**

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Feb-20	Term Loan	Long Term	2.00	ACUITE BB/ Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB/ Stable (Assigned)
	Proposed Term Loan	Long Term	11.00	ACUITE BB/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/ Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB/ Stable (Assigned)