



Press Release

Nightingale Finvest Private Limited (NFPL)

December 09th, 2020

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term bank Facilities - Outstanding Term Loans	83.75 (Reduced from INR101.65 Crore)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed
2	Proposed Long Term Bank Facility – Term Loan	1.25	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
	Total	85.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from extensive experience of promoters and management and established presence in Microfinance lending. However, the rating strengths are partially offset by subdued level of growth in business operations, risk inherent in microfinance segment; challenging operating environment and competitive nature of industry.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.
- **Downward Factor**
 - Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.



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Key Rating Drivers with detailed description

Key Rating Strengths

- ***Extensive experience of promoters and management:***

The senior management team has extensive experience in Micro finance lending. Prior relevant experience of the promoters, Mr. Mantu Nath Sharma, Mr. Rukunuddin Ahmed and Mr. Pratap Chakravarty, brings in a high degree of operational expertise. Also, the board of directors include Mrs. Olee Bora as Nominee Director (NEDFI, Deputy General Manager) having an experience of two decades in the finance industry; Mr. Biswa Bandhu Mohanty as Additional Director, having nearly four decades of experience in the finance industry with various organisations such as Steel Authority of India Limited (SAIL), Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) and Mr. Kanchan Dutta, Independent Director, who is a practicing Chartered Accountant having experience of above 30 years. The Company follows a conservative approach of lending, which is seen from its high outstanding cash and bank balances (includes bank deposits) of INR37.12 Crore as on March 31st, 2020 as against INR31.23 Crore as on March 31st, 2019. The overall CAR indicator improved to 22.15% in FY20 when compared to 17.89% in FY19.

- ***Established presence in Microfinance lending:***

From the year 2004, the company started with Micro-Finance activities with financial assistance received from Rashtriya Vikash Nidhi (RGVN) and North Eastern Development Finance Corporation Limited (NEDFi). NFPL focuses on lending to JLGs, where the members are jointly liable for the repayment of the loan disbursed. The groups guarantee and peer pressure ensures timely repayment of loans which reduces the risk of default. The company has reported nil Gross NPA as on March 31st, 2020.

Key Rating Weaknesses

- ***Subdued level of growth in business operations:***

NFPL's on-book loan portfolio stood at INR68.75 Crore as on March 31st, 2020 as against INR68.08 Crore as on March 31st, 2019. While the Company's off-book (managed) portfolio decreased to INR15.72 Crore as on March 31st, 2020 when compared to INR23.83 Crore as on March 31st, 2019. The overall gearing remains a concern, although the overall gearing has come down to a competitive level of 4.69x as on September 31st, 2020 as against 7.84x



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as on March 31st, 2020. Going forward, the Company's ability to access timely capital infusion and its ability to mobilize low cost debt will be a key factor in scalability of the business.

- ***Risk inherent in to microfinance segment; challenging operating environment:***

The activities of microfinance companies like NFPL are exposed to concentration risk. The Company has presence in 4 states with Assam contributing to almost 90% of the loan portfolio. This exposes them to high geographical concentration risk. Thus, the Company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, can adversely impact the credit profile of the borrowers.

The impact of Covid-19 may also impair the scalability of business operations, which has currently disrupted collections and disbursement processes. Although, NFPL has demonstrated healthy asset quality in the past with the NNPA at nil as on March 31st, 2020. The actual impact and rise in delinquency is expected due to the Covid-19 as the credit profiles of some of its borrowers could be impaired.

- ***Competitive nature of industry:***

NFPL is exposed to stiff competition from other varied sized NBFCs & MFIs. The lending industry focused around SMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, the Company's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

NFPL maintains favorable interest rate risk, with its long term borrowings repayable over the next 2-4 years as against its average tenure for loan portfolio of 12 months.



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The Company maintains cash and bank balances of INR37.12 Crore as on March 31st, 2020 and has a fairly match ALM profile for the short term.

About the Company

Nightingale Finvest Private Limited (NFPL) is an MFI-NBFC, which started its micro financing activities in 2003. Prior to 2011, the microfinance activities were carried out in the name of Nightingale Charitable Society. The Micro-Credit is being provided only to poor and low income group to generate more income and raising the standard of living.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	16.92	22.13
Interest	9.14	12.09
PAT	2.57	3.27
Total Debt	92.81	97.11
Total Net-worth	9.32	12.38
Total Loan Assets	68.08	68.75
Ratios (%)		
PAT Margin (%)	15.21	14.77
Overall Gearing Ratio (x)	9.96	7.84
GNPA (%)	0.00	0.00
NNPA (%)	0.00	0.00
CAR (%)	17.89	22.15

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (October 30 th , 2019)	Date(s) & Rating(s) assigned in 2019-20 (October 26 th , 2019)	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term bank Facilities - Term Loans	Long Term	83.75	IVR BB+/Stable	IVR BB+/Stable	--	--
2	Proposed Long Term Bank Facility – Term Loan	Long Term	1.25	IVR BB+/Stable	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuaniania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term bank Facilities - Term Loans	83.75	NA	NA	Upto September 2023	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Proposed Long Term Bank Facility – Term Loan	1.25	--	--	--	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)