



Press Release

Grameen Shakti Microfinance Services Private Limited (GSMSPL)

November 12, 2024

Ratings

Instruments/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund based – Long Term bank facilities – Term loans	35.25	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Proposed Fund based – Long Term bank facilities – Term loans	24.75	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Total		60.00 (Rupees Sixty crore only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has assigned its ratings to the bank loan facilities of Grameen Shakti Microfinance Private Limited (GSMSPL) which reflects strength from its experienced promoters, comfortable capitalization levels, and stable asset quality. These strengths are partially constrained by moderate scale of operation coupled with regional concentration and Inherent risks associated with MFI industry coupled with intense competition.

The Stable Outlook reflects the continued benefits derived from GSMSPLs promoters experience and expectations of stable AUM growth along with stable earnings profile over FY25-FY27.



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Key Rating Sensitivities

Upward Factors

- Substantial & sustained growth in its loan book, while maintaining healthy asset quality, adequate capital position, liquidity, and profitability.

Downward Factors

- Substantial deterioration in its AUM, overall financial profile of the company, capitalization levels and liquidity.
- Any adverse movement in collection efficiency impacting on the asset quality of the company and thereby the profitability of the company.

List of key rating drivers with detailed description

Key Rating Strengths

Comfortable Capitalization

GSMSPL has comfortable capitalization with the capital to risk weighted assets ratio (CRAR) of 37.82% as on March 31, 2024 (31st March 2023: 26.79%), as against minimum regulatory requirement of 15%. The overall gearing of the company stood comfortable at 2.26x in FY24 (refers to period from April 1st, 2023, to Mar 31, 2024) (FY23:3.17x). Infomerics expects gearing to improve from FY25 onwards with expected equity infusion by promoters and accretion of profits to net worth.

Stable Asset quality:

GSMSPL has been able to maintain stable asset quality backed by its efficient loan monitoring and prudent credit appraisal process. The GNPA and NNPA improved in FY24 (and stood at 0.84% and 0.18% respectively when compared to 1.91% and 0.89% at the end of FY24). The ability of GSMSPL to maintain healthy asset quality amidst growing loan book will be a key rating monitorable.

Experienced Promoters and Management

GSMSPL is promoted by Mr. Ganesh Chandra Modak who has an experience of around three decades in microfinance industry, Also, on its board are other experienced professionals who



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have deep insight in the business, which has helped the company in placing prudent lending practices with stringent credit assessment and monitoring.

Key Rating Weaknesses

Moderate scale of operations:

GSMSPL started its lending operations in 2017 and has an AUM of Rs.121.49 crore as on 31 March 2024, which has further increased to Rs. 130.20 crore as on 30 June 2024. Out of total AUM, own book comprises of Rs. 50.57 crore (41.62%) and managed book comprises of Rs. 70.92 crore (58.37%). As on March 31, 2024, GSMSPL reported PAT of Rs. 1.95 crore (FY23: Rs. 1.62 crore) and NII of Rs. 3.56 crore (FY23: 3.91 crore), NIM stood at 6.46% for FY24 (FY23: 7.12%), decline in NII and NIM in FY24 is mainly due to increased cost of borrowings.

Regional Concentration of Operations

GSMSPL operations are highly concentrated in the states of West Bengal and Bihar contributing to more than 90% of its AUM as on March 31, 2024. However, GSMSPL has forayed into Orissa in FY25. Generally, the risk profile of a NBFC with a geographically diversified portfolio is more resilient compared to that of an entity with a geographically concentrated portfolio.

Inherent risks associated with MFI industry coupled with intense competition.

GSMSPLs product diversification remains low with the concentration primarily being in the microfinance segment. Also, the company's portfolio remains relatively risky, given the unsecured nature of the loans. Unsecured lending to the marginal borrower profile and the political and operational risks associated with microlending may result in high volatility in the asset quality indicators. The microfinance industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position as has been seen during the pandemic coupled with severe competition by other NBFCs and Banks.

Analytical Approach: Standalone

Applicable Criteria



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[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

Liquidity: Adequate

GSMSPL is adequately capitalized with total CRAR (%) of 37.82% as on March 31, 2024, and Tangible Net worth of Rs 19.79 crore. Also, it has adequately matched asset liability profile as on June 30, 2024. GSMSPL has liquidity in the form of cash and bank balances and unveiled sanctions form Banks and financial institutions to the tune of Rs 7.87 Crores as on June 30, 2024.

About the company

Grameen Shakti Microfinance Services Private Limited is a Non-Banking Financial Company, a Microfinance Institution promoted by Mr. Ganesh Chandra Modak based in West Bengal. Mr. Ganesh Modak having an experience of 30 years in micro-finance activities established a society named Society for Model Gram Bikash Kendra (SMGBK) in 2004 involved in microfinancing with a focus on social development. In March 2016, SMGBK acquired Srija Chemo Private Limited to conduct microfinancing activities. It was approved as NBFC-MFI by RBI in September 2017 and renamed to Grameen Shakti Microfinance Services Private Limited.

Financials: Standalone

(Rs. crore)

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	12.24	15.34
PAT	1.62	1.95
Tangible net worth	15.84	19.79



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Total debt	50.22	44.62
AUM	100.73	121.49
Ratios		
NIM (%)	7.12	6.46
Total CRAR (%)	26.79	37.82
Gross NPA [Stage III] (%)	1.91%	0.84%
Net NPA [Stage III] (%)	0.89%	0.18%
Overall gearing (x)	3.17	2.26
Interest Coverage (x)	1.41	1.38

**Calculations as per Infomerics Standards*

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund based – Long Term bank facilities – Term loans	Long Term	35.25	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	-	-
2.	Proposed Fund based – Long Term bank facilities – Term loans	Long Term	24.75	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)			



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Name and Contact Details of the Rating Team:

Name: Amey Joshi Tel: (022) 6239 6023 Email: amey.joshi@infomerics.com	Name: Sree Harsha Tel: (022) 6239 6023 Email: sree.harsha@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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ANNEXURE I **Details of Facilities**

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
Fund based – Long Term bank facilities – Term loans	--	--	--	Up to Nov 2026	35.25	-	IVR BB+/ Stable
Proposed Fund based – Long Term bank facilities – Term loans	--	--	--	--	24.75	-	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GrameenShakti-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

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.