



Press Release

Sai Shakti Mahila Technical and Development Services

October 19, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	31.04	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Assigned	Simple
Total	31.04			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Sai Shakti Mahila Technical and Development Services (SSMTD) continues to derive comfort from its experienced and professional management team with adequate systems and processes, moderate capital adequacy ratio, growth in operation in FY23 and further in Q1FY24 and stable asset quality. These rating strengths continues to remain partially offset by its short track record with monoline nature of operations; relatively risky target segment, small scale of operations and leveraged capital structure, thin profitability and limited geographical presence.

Rating Sensitivities

Upward factors

- Improvement in scale of operations and asset under management with increase in geographical reach
- Diversification in resource profile with decline in average cost of borrowings with improvement in the capital structure
- Ability of the company to raise equity and debt capital in a timely manner to maintain a prudent capitalization profile
- Improvement in profitability by maintaining the credit costs and operating overheads on a sustainable basis, as the operations expand

Downward Factors

- Moderation in scale of operations with sharp decline in asset under management and moderation in profitability
- Moderation in the capital structure with deterioration in CAR to below 17%



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- Weakening of the profitability profile on account of higher operating overheads and higher credit costs, leading to a decline in ROTA may pressurise the company's rating.
- Deterioration in the asset quality

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced and professional management team with adequate systems and processes**

SSMTD is managed by a four-directors board headed by Mr. Narendra Singh Parihar (Director). All the directors are well versed with the intricacies of the business operation of microfinance and NBFC. The day-to-day affairs is handled by Mr. Narendra Singh Parihar along with other KMPs, having adequate experience in the related sectors. Besides, all the governing body members are well versed with the intricacies of the business operation of microfinance and NBFC. SSMTD has installed good tracking and MIS systems, which are adequate to support future growth expansion. Further, the company has installed monitoring systems to ensure credit bureau checks and loan utilisation checks being conducted in all cases. This enabled the company to report good asset quality.

- **Moderate capital adequacy ratio**

SSMTD has maintained a healthy capital adequacy ratio (CAR) over the years, which has ended at 18.96% as on March 31, 2023, which is moderately above statutory limit of 15%. In Infomeric's opinion, SSMTD would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalisation levels.

- **Growth in operation in FY23 and further in Q1FY24**

During FY23, the company has increased its branch strength to 13 from 5 in FY22 and was able to increase its number of borrowers proportionately. Further, since H2FY22 the demand of loans has increased attributable to rise in economic activities. Rise in loan disbursement and rise in own loan portfolio, resulted in steady Y-O-Y growth of AUM to Rs.16.13 crore as on March 31, 2023 from Rs.3.65 crore as on March 31, 2022 and further to Rs.23.71 crore as on June 30, 2023.

- **Stable asset quality**



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SSMTD has managed to keep its recovery rate around 100% during last three accounting period ending in FY23 and also in Q1FY24. SSMTD though remain exposed to risks associated with the MFI business able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. The GNPA and NNPA along with PAR>30 was nil as on March 31, 2023. The company's ability to maintain the asset quality in the new originations and maintain field discipline will be important from a credit perspective.

Key Rating Weaknesses

- **Short track record with monoline nature of operations; relatively risky target segment**

The company started its primary MFI operation from FY21, thus having only having around two years of operational track record. Owing to its short track record, the company suffers from lower seasoning of its loan portfolio. Further, SSMTD's product diversification remains low being concentrated only in the microfinance segment. Further, unsecured lending to the marginal borrower profile and the political & operational risks associated with microfinance lending may result in high volatility in the asset quality indicators. SSMTD's ability to maintain the asset quality indicators through economic cycles remains a key rating monitorable.

- **Small scale of operations and leveraged capital structure**

The scale of operations of SSMTD, though has increased to Rs.16.13 crore of AUM as on March 31, 2023, remain small over the years. With the spreading of pandemic and lockdown, MFI sector was badly hit during FY21, However, since Q2FY22, post pandemic scenario, demand of microfinance has increased in India. This apart, capital structure remained leveraged where overall gearing ratio was at 5.98x as on March 31, 2023. As the company is largely dependent on borrowed fund for on-lending and having low net-worth base, capital structure remained low.

- **Thin profitability**

Though the profit margin has improved in FY23 with the increase in scale, the same remains low over the years on account of high dependency of borrowed fund from NBFCs and high operating expense ratio. The ROTA has improved to 2.84% in FY23 from 1.84% in FY22. However, most of the growth in loan portfolio was came during H2FY23, hence the benefit of loan growth was not fully reflected in the profitability.



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- **Limited geographical presence**

SSMTD is now working with 13 branches spread over 8 districts in only one state, Madhya Pradesh, where they are providing services to more than 8,000 clients. Covering of limited number of states provides limited of diversified geographical presence.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial institution/NBFCs](#)

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

The company had adequate liquidity in the form of unencumbered cash and liquid balances of Rs.1.01 crore as on March 31, 2023. As the advances comprise relatively shorter-tenure microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile remains adequate. While Infomerics expects the company to meet its debt obligations in a timely manner, given the cash-in-hand and expected inflow from loan repayments, it would be important for SSMTD to maintain its collection efficiency while ensuring the regular flow of funds to meet its internal growth projections.

About the Company

Sai Shakti Mahila Technical and Development Services (SSMTD) is a Non-Banking Financial Company – Microfinance Institution (NBFC-MFI) incorporated in February, 2013, under Section 8 of Companies Act 2013. SSMTD has a social vision and business orientation aims to provide underprivileged women with economic opportunities to transform the quality of their lives by provide micro-finance lending to Joint Liability Groups (JLG). The company is now working with 13 branches spread over 8 districts in the state of Madhya Pradesh, where they are providing services to more than 8,000 members as on June 30, 2023. As on March 31, 2023, SSMTD is managing a total loan portfolio of Rs.16.13 crore, which has further increased to Rs. 23.72 crore as on June 30, 2023. Currently, the operations of the company are managed by Mr. Narendra Singh Parihar, Managing Director, along with other three directors and a team of experienced personnel.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1.16	3.23
PAT	0.06	0.41
Tangible Net worth	0.73	3.44
Total Asset	4.73	24.12
Ratios		
ROTA (%)	1.84	2.84
Interest Coverage (times)	1.08	1.20
Total CAR (%)	18.58	18.96
Gross NPA (%)	Nil	Nil
Net NPA (%)	Nil	Nil

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term Loans	Long Term	31.04	IVR B+/Stable	-	-	-

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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



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	Aug. 2025	3.78	IVR B+/ Stable
Term Loan 2	-	-	May. 2026	14.80	IVR B+/ Stable
Term Loan 3	-	-	Feb. 2026	8.61	IVR B+/ Stable
Term Loan 4	-	-	Nov. 2025	3.85	IVR B+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ShaktiMahila-oct23.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

