Press Release

Save Microfinance Private Limited

February 14, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	319.42	IVR BBB/ Stable (IVR Triple B/Stable)	IVR BBB/ Stable (IVR Triple B/Stable)	Reaffirm	Simple
2.	Long Term Bank Facilities - Proposed	30.58	IVR BBB/ Stable (IVR Triple B/Stable)	IVR BBB/ Stable (IVR Triple B/Stable)	Reaffirm	Simple
	Total	**350.00**				

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Save Microfinance Private Limited continues to derive comfort from promoters, experienced board of members, parent's support, sound capital structure to support future growth plans, presence of strong investors for further capital infusion and exponential growth of the company. However, these factors are offset by low profitability margins, moderate asset quality, exposure to states in India that are on lower rung of economic ladder and challenging operating environment of NBFIs.

Key Rating Sensitivities:

Upward Factors

- Significant scaling up the business operations while maintaining the asset quality and profitability indicators.

Downward Factors

- Significant deterioration in leverage indicators, asset quality and/or profitability metrics in order to improve the lending operations.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Support from promoters and experienced board of members:

SMPL is supported by experienced promoters and board members. Governance is vested with a Board of Directors comprising 4 directors who are well qualified with experience, adequate knowledge of finance, banking, accounting, administration, technology and in corporate governance and management. Company's management team led by Mr. Ajeet Kumar Singh, Management (Director & CEO) has 15+ years of extensive experience in financial services & banking sector across rural & urban areas. He has in-depth experience in rural marketing and responsible for the overall Strategic Control, Co-ordination & policy formulation of the SAVE Group including SMPL another board members of the company are Mr. Siva Vadivelazhagan, has over six years of experience in corporate finance, investment management and financial inclusion. He is closely working with the funds that invest in financial institutions/ NBFCs with key focus on SME finance, microfinance, agricultural finance and affordable housing finance.

Parent support in the term of management, and finances:

SAVE Microfinance Private Limited (SMPL) is a wholly owned subsidiary of Save Solutions Private Ltd. SMPL receives financial and managerial support from SAVE Solutions leverages on its wide network of CSPs (Customer Service Points) to provide both cash in cash out at the doorstep of these women micro entrepreneurs. SAVE Solution Private Ltd. is a Corporate Business Correspondents of the country and is currently operating with 7 major banks namely State Bank of India, Bank of India, Bank of Baroda, Baroda UP Gramin Bank, Uttarakhand Gramin Bank, Jharkhand Rajya Gramin Bank and Punjab National Bank.

SMPL draws strong operational leverage from SAVE Group Team which at present is a strong force of 936 dedicated & experienced personnel to manage the operations of Business Correspondents at over 12500 CSPs. The personnel strength of SAVE Group would increase with the increase in business operations of the Group and its geographical expansion. Because of synergy in business operations, similar Customers base and availability of CSPs, the personnel of SAVE Group are well equipped to support the expanding business operations of the Company.

Sound Capital structure to support future growth plans:

The Company commenced its lending operations in November 2018 after receiving its NBFC-MFI registration and since then has expanded its loan portfolio to Rs. 333.13 crore (own portfolio of Rs. 324.95 Crore) as on 31 Dec, 2021, as against Rs. 201.48 Crore as on March 31st, 2021 (own portfolio of Rs. 196.77 Crores). The growth in the loan portfolio has been through capital support from the promoters/group and liability in the form of external debt. The Company's Capital Adequacy Ratio (CAR%) stood at 56.96% (Adjusted for USLs) as on 30 Sep, 2021, and 53.90% as on March 31st, 2021. The capital structure has improved substantially as evidenced by increase in tangible networth from Rs. 15.53 Cr in FY20 to Rs. 112.60 Cr. In FY21. The increase in TNW is majorly on account of increase in equity share capital from Rs. 15.00 Cr in FY20 to Rs. 103.63 Cr in FY21 after raising fresh capital amounting to Rs. 88.63 Cr from the Save Solutions Private Limited (holding company) during the year. The shares were issued on a premium of Re. 1/- per share. The reserves and surplus also increased to Rs. 9.07 Cr on account of ploughing back of profits and increase in securities premium.

The equity share capital is further projected to increase to Rs. 133.38 Cr by the end of FY22 from Rs. 103.64 Cr. in FY21 on account conversion of unsecured loans from holding company amounting to Rs. 37.15 Cr in equity share capital and securities premium. Further, adequate level of overall gearing ratio will give sufficient headroom for leveraging for growth in the loan book going further.

Strong Investors for further infusion of share capital

International Funds namely Incofin (through agRIF Fund) and Maj Invest have invested Rs. 38.40 Cr. and Rs. 120 Crore, respectively in the Share Capital of SSPL. SSPL have also raised NCDs of Rs. 18.20 Cr. & Rs. 50.60 Cr. from International Investor namely "Symbiotic" (Singapore Based Fund) in 2019-20 & 2020-21. Also, SSPL have raised NCDs of Rs. 8.20 Cr from Incofin during 2020-21. SSPL have invested in the Share Capital of its subsidiary Companies out of the investments of International PE Investors/ Funds and the contribution from the promoter directors. Thus, SAVE Group has wide acceptability amongst International PE Investors/ Funds who have strong appetite for further investment in NHHFDL, SMPL & SFSPL through SSPL.

There was follow-up round of investment in SSPL by the investors of Rs. 60 cr at the value of Rs. 1275/- per share completed in Nov 2021. The proceeds of follow-up round is to meet the Equity requirement of its Subsidiary Companies.

Exponential growth of the company

As on December 31, 2021, the company was operating in 06 states in India through a network of 127 branches catering to 1lakh+ borrowers. SMPL has aggressively undertaken its business expansion after June, 21. It has opened 71 new branches from July, 21 till Dec.21. SAVE operates out of six states, namely Bihar, Chhattisgarh, Haryana, Jharkhand, Rajasthan Uttar Pradesh and Uttar Pradesh, through a network of 127 branches. The Collection efficiency of SMPL is also improving month over month and has achieved cumulative collection efficiency of 95.29% as on 30-Nov-2021. SMPL has edge over the other MFIs because of its collection through the Customers Service Points (CSPs) of SAVE Solution Private Limited.

Key Rating Weaknesses

Low Profitability Margins:

The PAT has shown marginal improvement, however, remained moderate in FY21 at Rs.0.50 Crore as against Rs.0.26 Crores in FY20. Company reported net interest margin (NIM) of 7.17% in FY21 as against 11.23% in FY20. ROTA stood at 0.30% in FY21 as against 0.38% in FY20. However as per 6MFY22 (unaudited), Company reported PAT of Rs. 2.15 Crores. Going forward, if the asset quality levels deteriorate, the profitability is expected to be impacted.

Moderate asset quality

Despite of the unprecedented adverse effects of Second Wave of Covid-19, the asset profile stood moderate with GNPA of 2.12% and NNPA of 0.53% in 9MFY22 as against GNPA of 2.14% and NNPA of 0.64% in FY21. However, the Collection efficiency of SMPL is improving month over month and has achieved cumulative collection efficiency of 95.29% as on 30.11.2021. SMPL has edge over the other MFIs because of its collection through the Customers Service Points (CSPs) of SAVE Solution Private Limited.

Exposed to States in India that are on the lower rung of the economic ladder

The company is largely exposed to states in India that have a long way to go in terms of economic development. These states are characterised by higher poverty and larger proportion of migrant labour which may lead to higher delinquencies in the portfolio of MFIs.

Challenging operating environment for NBFIs

Currently, the NBFIs in India, are facing liquidity and funding challenges, resulting in subdued growth/degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFIs. The COVID-19 pandemic has aggravated the liquidity issues of NBFIs, with the loan moratorium announced by the RBI affecting their collection efficiencies and the resultant impact on asset quality and profitability.

Furthermore, SMPL operates in a highly competitive microfinance space, thereby its ability to demonstrate profitable growth while maintaining asset quality will be critical.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Non-Banking Finance Companies.

Financial Ratios & Interpretation (Financial Sector).

Liquidity – Adequate

The Company had adequately matched asset liability profile as on December 31st, 2021 with no negative cumulative mismatches in any of the time buckets up to 3 years. Most of the loans are of shorter tenure compared to the tenure of borrowed funds, leading to positive mismatches over the near to medium term. Also, recent equity infusion in the company will keep gearing level adequate in medium term. Furthermore, the company has liquid cash & Bank balance position remains moderate at Rs. 38.91 Crore as on March 31st, 2021 along with undisbursed line of Rs. 108.00 in hand as on December 31, 2021 against the debt repayments of Rs. 49.68 Crs. Liquidity is marked adequate by adequate Capital adequacy ratio of 53.90% on March 31, 2021 and 56.96% as per the 9MFY22 key figures, considering the unsecured loans from holding company as adjusted capital, since this will be converted into equity by the end of FY22.

About the Company

Incorporated in August, 2016, SAVE Micro Finance Private Limited (SMPL) is an NBFC-MFI based in Bihar (headquartered in Gaya). SAVE received its NBFC license in October 2017 and commenced lending in November 2018. SAVE Microfinance Private Limited is a wholly owned subsidiary of Save Solutions Pvt. Ltd.

It is a new generation tech savvy microfinance institution which operates through income-generating group loan (IGL) using the joint liability group lending (JLG) model. Joint liability Groups (JLGs) lending methodology and provides micro credit services/finances exclusively to women entrepreneurs and further finances are given exclusively for Income generating activities such as small business, handicrafts, trade and services, agricultural etc. SMPL leverages on its group wide network of CSPs (Customer Service Points) to provide both cash in cash out at the door step of these women micro entrepreneurs. SAVE provides Income Generation and Agriculture and Allied Services using the joint liability group (JLG) lending model loans of ticket size Rs.10,000-40,000 with a tenure of 12-27 months. As on December 31, 2021, the company was operating in 06 states in India through a network of 127 branches catering to 1lakh+ borrowers.

Financials (Standalone Basis):

(Rs. crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Audited

For the year ended*	31-03-2020	31-03-2021
Total Income	14.56	23.82
PAT	0.26	0.50
Total Debt	69.48	127.50
Tangible Net worth	15.53	112.60
Total Loan Assets	74.81	196.77
Overall Gearing Ratio (x)	4.47	1.13
GNPA (%)	0.00	2.14
NNPA (%)	0.00	0.64
CAR (%)	20.51	53.90

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating (February 14, 2022)	Date(s) & Rating(s) assigned in 2020-21 Mar 13, 2021)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities- Term Loan	Long Term	319.42	IVR BBB/ Stable (IVR Triple B/Stable)	IVR BBB/ Stable (IVR Triple B/Stable)	-	-
2.	Fund Based Bank Facilities- Proposed	Long Term	30.58	IVR BBB/ Stable (IVR Triple B/Stable)	IVR BBB/ Stable (IVR Triple B/Stable)	-	-

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	-	Multiple		319.42
Long Term Bank facilities- Proposed	-	-	-		30.58

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Save-Microfinance-feb22.pdf

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.