

**Press Release****Nightingale Finvest Private Limited****October 30, 2019****Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned</b>
1.	Long Term Bank Facilities – Term Loan	101.65 (Enhanced from Rs. 25.00 crore)	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
	<b>Total</b>	<b>101.65</b>	

**Details of Facilities are in Annexure 1****Detailed Rationale**

The rating derives strength from extensive experience of promoters and management and established presence in microfinance lending. The rating however is partially offset by modest scale of operations with geographical concentration, leveraged capital structure and exposure to inherent socio-political risk in MFI segment.

**Key Rating Sensitivities****Upward Factors:**

- Significant improvement in leverage ratios
- Significant improvement in net interest margin

**Downward Factors:**

- Significant deterioration in leverage ratios and net interest margin
- Significant deterioration in the asset quality

**List of 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.

### **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 31, 2019.

### **Key Rating Weakness**

#### **Modest scale of operations with Geographical Concentration:**

NFPL operates as a small-sized NBFC-MFI, as reflected by its loan book of Rs.68.08 crore as on March 31, 2019. In terms of geographical presence, the entity operates across 16 districts of four states in the Northeast of India. However, regional concentration is fairly high, with Assam contributing about ~92% (as on March 31, 2019) of the total portfolio. NFPL has expanded its operations to newer geographies in FY18 viz. Meghalaya, Arunachal Pradesh, Mizoram as a measure to de-risk its portfolio from geographical concentration risk. However, the track record for the same is yet to be established in these states.

#### **Leveraged capital structure:**

The company's overall capitalisation levels are moderate with a Capital Adequacy Ratio (CAR) of 17.56% as on June 30, 2019 as against 17.89% as on March 31, 2019, with the Tier-I CAR being 13.24%, as on June 30, 2019. Also, the on-book gearing increased to 9.96x in FY19 from 8.77x in FY18. The company plans to raise Rs.12-Rs.15 crore equity capital in the near term which would improve its overall capitalisation position.

#### **Exposure to inherent socio-political risk in MFI segment:**

NFPL primarily extends microfinance loans wherein the borrowers' credit profile is weak. Unsecured lending to the marginal borrower profile and the political and operational risks associated with micro lending may result in high volatility in the asset quality indicators. The microfinance industry is prone to socio-political and operational risks, especially in the restive North Eastern states, which could negatively impact its operations, and thus its financial position.

## Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

## Liquidity

NFPL maintains favourable interest rate risk with its long term borrowings repayable over 2-5 years as against the average tenure of its loan portfolio (MFI Loans) of 12 months. The company has adequately matched asset liability profile with positive cumulative mismatch in all maturity buckets upto 1 year. Overall liquidity profile is comfortable.

## 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

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	10.65	16.92
Interest	6.25	9.16
PAT	1.04	2.58
Total Debt	59.97	92.81
Tangible Net worth	6.84	9.32
Total Loan Assets	43.53	68.08
Ratios (%)		
a. PAT Margin	9.76	15.24
b. Overall Gearing Ratio	8.77	9.96

c. Total CAR (%)	17.90	17.89
d. Gross NPA (%)	0.00	0.00
e. Net NPA (%)	0.00	0.00

\* Classification of financial numbers is as per Infomerics' standards

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

**Any other information: N.A**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Bank Facilities – Term Loan	Long Term	76.65 (Enhanced from Rs. 25.00 crore)	IVR BB+/ Stable outlook	--	--	--

**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](http://www.infomerics.com).

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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. 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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## 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 Fund Based Limits – Term Loan	--	--	Various	101.65 (Enhanced from 25.00)	IVR BB+/ Stable outlook