



Rating Rationale

Saija Finance Pvt. Ltd.

27 August 2021

Brickwork Ratings reaffirms the rating of BWR BBB- for the existing Bank Loan facilities and Non-Convertible Debentures while placing the rating on Credit Watch with Developing Implications and withdraws the rating for NCDs

Particulars

Facilities**	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	Previous Rating (August 2020)	Present Rating*
Fund Based					
Term Loans	100.00	100.00	Long Term	BWR BBB-/Stable	BWR BBB- Credit Watch with Developing Implications
NCDs	30.00	20.00		BWR BBB-/Stable	BWR BBB- Credit Watch with Developing Implications
NCDs##	23.50	0.00		BWR BBB-/Stable	Withdrawn
Total	153.50	120.00	Rupees One Hundred and Twenty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

** Details of facilities given in Annexures I & II

##Withdrawn on account of complete redemption based on the request of the company and confirmation from the Company and Debenture Trustee

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) reaffirms the rating at BWR BBB- for the existing Bank Loan facilities and NCDs of Saija Finance Pvt Ltd (SFPL or the company) while placing the ratings on Credit Watch with Developing Implications, as tabulated above. The rating action follows the recent development wherein SFPL's promoters and investors have signed a share subscription and shareholding arrangement (SSHA) with Dvara Kshetriya Gramin Financial Services Private Limited(DKGFS) [rated BWR BBB+ (Stable)]. As per the SSHA, DKGFS is expected to infuse Rs.7.57 Crs. in the first tranche to take up a 25.90% equity stake in the Company, subject to compliance with pre-disbursement conditions. The said infusion shall be used by the Company primarily for operational expenses. Further, subject to the performance milestones as prescribed in the SSHA, the entire operations of SFPL are expected to be merged into DKGFS within 18 months and DKGFS is expected to provide managerial and financial support.



BWR has withdrawn the ratings of NCDs of Rs.23.50 Crs on account of complete redemption. The withdrawal is based on the request from the company and receipt of No Dues from the Debenture Trustee which is as per BWR's withdrawal policy.

The rating draws comfort from the promoters' experience in the MFI industry and healthy capital adequacy (Total CRAR of 20.34% as on 31st March 2021) . However, the rating is constrained by de-growth in AUM from Rs. 304.69 Crs in FY 20 to Rs. 195.85 Crs in FY 21, a high geographical concentration risk (55.66% concentration is the state of Bihar in FY21), deterioration in asset quality (Gross NPA of 14.77% as on 31st March 2021 vis-a-vis 3.75% as on 31st March 2020) , Loss incurred during FY21 (Loss of Rs.32.51 Crs in FY21 vis-a vis PAT of Rs.2.30 Crs in FY20) and stretched liquidity position.

Despite the Rating concerns highlighted, BWR draws comfort from the signing of the SSHA and the takeover of the management by DKGFS and the strategic support proposed to be offered by DKGFS in terms of business correspondence facility, providing corporate guarantee(s), if required, etc.

BWR will continue to monitor the developments with respect to the SSHA and merger and take appropriate rating action as warranted depending on the progress.

Description of Key Rating Drivers

Credit Strengths:-

- **Experience of promoters:** The company was originally promoted by Mr. S R Sinha and Mrs. Rashmi Sinha. With the signing of the SSHA, the management of the company is proposed to be taken over by the management team at DKGFS. DKGFS is promoted by Dvara Trust (formerly IFMR Trust) that was set-up in 2008 and has promoted diverse financial services businesses in India, including Northern Arc Capital (formerly IFMR Capital), Dvara Solutions, Dvara Research, Dvara Money, Dvara e-Registry, Dvara Smart Gold and Dvara e-Dairy. DKGFS has backing of strong sponsors, a high level of involvement of its principal promoters, the expertise of the promoter group and an experienced management team.
- **Healthy capital adequacy:** SFPL's capitalisation is healthy, with a total capital adequacy ratio (CRAR) of 20.34% as on 31 March 2021 (30.60% as on 31 March 2020). The ratio is much higher than the minimum regulatory requirement of 15%, and the company is expected to remain well-capitalised over the medium term.

Credit Risks:-

- **Weak Asset Quality:**The company's asset quality has deteriorated with the gross non-performing assets (GNPAs) ratio increasing to 14.77% as on 31 March 2021 from 3.75% as on 31 March 2020 on account of the Covid 19 pandemic and degrowth in the portfolio. On account of higher provisioning (PCR of 92.44% in FY21) the net



non-performing assets(NNPAs) were at 1.36% as on 31 March 2021 vis-a-vis 0.63% as on 31 March 2020.The asset quality will be a key rating monitorable.

- **Decline in Scale of Operations and Losses incurred:**SFPL recorded a degrowth in the AUM to Rs.195.85 Crs at the end of March 2021 as compared to Rs.304.69 Crs as at the end of March 2020 on account of issues in raising capital during FY21. Further the company recorded a loss of Rs.32.51 Crs in FY21 (as compared to PAT of Rs.2.30 Crs in FY20) on account of higher impairment expenses thereby resulting in reduction in tangible net worth to Rs.33.63 Crs in FY21 (vis-a-vis Rs.63.37 Crs in FY20).The gearing has increased to 4.20x in FY21 as compared to 3.29x in FY20.
- **High geographical concentration of portfolio:** The company has a presence in five states, but its AUM is concentrated in Bihar. Around 55.66% of its AUM is concentrated in Bihar, followed by 15.48% in Jharkhand, 11.03% in Haryana, 9.73% in Punjab and 8.10 % in Uttar Pradesh as at the end of March 2021. The high concentration in Bihar exposes the company’s portfolio to risks related to geographical concentration.
- **Inherently modest credit profile of borrowers and risk from local socio-political issues in the microfinance sector:** The portfolio primarily consists of microfinance loans to clients with below-average credit risk profiles and a lack of access to formal credit. Pressure on households' cash flow due to unforeseen circumstances may affect the repayment capability of these borrowers. However, this risk is partially offset by the use of the grameen model for lending. Since the business involves lending to the poor and downtrodden sections of the society, MFIs will remain exposed to socially sensitive factors, including charging high interest rates and consequently, to tighter regulations and legislation.

Analytical Approach: Standalone financials of SFPL

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Significant growth in the portfolio with an improvement in asset quality and profitability, Infusion of capital and planned merger into Dvara Kshetriya Gramin Financial Services Private will be key rating monitorables.

Negative: A further deterioration in the asset quality or weakening in the financial risk profile including liquidity.

Liquidity Profile: Stretched

As on 30 July 2021, SFPL had a free cash and liquid balance of ~Rs. 12.50 Crs. to repay its debt obligations of ~Rs. 30.33 Crs. from August 2021 to December 2021. SFPL has scheduled



collections of ~Rs 100 Crs from August 2021 to December 2021. In the current event of Covid related disturbances continuing, the collections and liquidity position may remain stretched.

About the Company

Saija Finance Pvt Ltd (SFPL or the company) is an NBFC-MFI, promoted by Mr. S R Sinha and Mrs. Rashmi Sinha. In July 2007, the promoters formed a society named Saija Vikas and in November 2007, started microfinance services. In 2007, the promoters acquired an NBFC named Regards Finance Pvt Ltd and renamed it as Saija Finance Pvt Ltd. In December 2013, SFPL received an NBFC-MFI license from the RBI. SFPL follows the grameen model of lending and offers loans under Saija Mahila Rin (loans to women) and Saija Karobar Rin (loans for business). The company operates in five states, namely Bihar, Haryana, Jharkhand, Punjab and Uttar Pradesh.

Company’s Financial Performance:

The financials are as per IND AS

	Units	2020	2021
Key Parameters		Audited	Audited
Net Interest Income	Rs. Crores	44.45	28.01
PAT	Rs. Crores	2.30	-32.51
Tangible Net Worth	Rs. Crores	66.37	33.63
CRAR	%	30.60	20.34
Total Portfolio	Rs. Crores	304.69	195.85
Owned Portfolio	Rs. Crores	284.01	171.50
Gross NPA	%	3.76	14.77
Net NPA	%	0.63	1.36

Rating History for the last three years [including withdrawn and suspended ratings]

Sr No	Name of Instrument	Current Rating (2021)			Rating History								
		Type	Amount (Rs. Crs.)	Rating	2020			2019		2018			
1	Term Loan	Long Term	100	BWR BBB-Credit Watch with Developing Implications	28 August 2020								
					Long Term	100	BWR BBB-Stable	NA	NA	NA	NA	NA	
					21 July 2020								
					Long Term	100	BWR BBB-Stable	NA	NA	NA	NA	NA	
2	NCD	Long Term	20.00	BWR BBB-Credit Watch with Developing Implications	28 August 2020								
					Long Term	30.0	BWR BBB-Stable	NA	NA	NA	NA	NA	
3	NCD	Long Term	0.00	Withdrawn	Long Term	23.50	BWR BBB-Stable	NA	NA	NA	NA	NA	
Total			120.00	Rupees One Hundred and Twenty Crore Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)

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ANNEXURE I

Saija Finance Pvt. Ltd.

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	IDFC First Bank	Term Loan	20.00	-	20.00
2	NABARD		25.00	-	25.00
3	NA	Proposed Term Loan	55.00	-	55.00
Total			100.00	-	100.00

Total Rupees One Hundred Crores Only.

ANNEXURE II:

Details of the NCDs

Instrument	Issue Date	Issue Size (Rs. Crs)	O/S Amount (Rs. Crs.)	Coupon %	Maturity Date	ISIN
NCD	December 22, 2017	10.00	3.33	13.45%	December 22, 2022	INE637O07100
	July 30, 2018	10.00	6.67	12.72%	July 30, 2023	INE637O07118
	December 7, 2020	10.00	10.00	12.00	June 8, 2022	INE637O07134

O/s Rupees Twenty Crs only



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