

RATING RATIONALE

9 Jan 2020

Need Livelihood Microfinance Private Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 25.11 Crores of Need Livelihood Microfinance Pvt. Ltd.

Particulars:

Facility	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
Fund based	15.00	25.11	Long Term	BWR BB Stable	BWR BB Stable Reaffirm
Total	15.00	25.11	INR Twenty Five Crores and Eleven Lakhs Only		

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

Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the rating of Need Livelihood Microfinance Private Limited for Long Term bank loan facilities as BWR BB (Outlook: Stable). The rating takes into account the management's experience, healthy CRAR and good asset quality of the company.

However the rating is constrained by the small scale of operations, geographical concentration and inherent risks of the MFI sector. The rating has been assigned a 'stable' outlook as the company's performance and business risk profile is likely to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced and professional management team:** NEED's board comprises of 6 members, led by Mr. Anil Kumar Singh (Managing Director), an IIM Ahmedabad alumnus, who has over 25 years of experience in diverse fields like microfinance, skills training, livelihood generation, woman empowerment, education, health and hygiene. The company has hired qualified professionals to manage various aspects of operations of the company. The company has also inducted independent directors on the company's board in order to improve governance and transparency.



- **Healthy CRAR:** NEED has maintained its CRAR above 20% for the last three years. The company has reported a CRAR of 24.96% as on 31 Mar 2019. The promoters infused fresh capital of Rs.0.70Cr during FY19.
- **Good Asset Quality:** The company has been consistent in maintaining its asset quality. It has been able to maintain Nil GNPA and NNPA till FY19. However, the company reported GNPA of Rs.0.38 Crs (0.84%) as on 30 Nov 2019 and provisions are made amounting to Rs.0.37 Crs.

Credit Risks:

- **Small scale of operations and short track record of operations:** NEED's microfinance operations started three years back and it has a small scale of operations with the loan portfolio at Rs.51.44 Crs including managed portfolio amounting at Rs.14.81 Crores as on 31 Mar 2019.
- **Geographical concentration:** NEED's operations are concentrated in two states, Bihar and UP accounting for 64% and 31% of its total portfolio respectively, as on 30 Nov 2019. The company operates in three states, across 21 districts with a network of 43 branches.
- **Inherent risks associated with microfinance sector:** Inherent risks with respect to business model, regulatory framework, limited access to low cost funding and other socio-political issues. The company faces intense competition from larger MFIs who have access to cheaper funds and enjoy the economies of large scale operations. Further, banks and NBFCs are also trying to increase their direct presence in rural areas to meet the priority sector lending requirement.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward the ability of the company to raise capital, reduce its cost of borrowings, and steadily grow the portfolio while maintaining asset quality will be key rating sensitivities.

Positive: The rating may be upgraded if the company is able to reduce its cost of borrowings and steadily grow the portfolio while maintaining the asset quality.

Negative: The rating may be downgraded if there is a decline in income and the asset quality weakens.

LIQUIDITY POSITION

The company has adequate liquidity with positive cumulative mismatches across all time brackets as on 30 Sep 2019. Further, the company's liquidity position is supported by unutilised bank facilities of Rs. 2.49 Crs to meet the business requirements in case of any stress. The overall position of the liquidity is adequate.

COMPANY PROFILE

NEED Livelihood Microfinance Pvt Ltd ("NEED" or "The Company"), incorporated on 16 Nov 2015 is a NBFC-MFI headquartered in Lucknow (Uttar Pradesh). Its operations started in 2005 under the aegis of NEED Grassroots Development, a non-profit organization and they obtained NBFC-MFI license from

RBI in February 2017. NEED, in addition to micro-finance, has been integrating one or two vital inputs into their operations by way of skill training and entrepreneurship management. NEED's operations are currently spread over 21 districts of 3 States i.e. UP, Bihar, West Bengal with a total of 33,763 active borrowers and Asset under Management (AUM) of Rs 51.44 Crores as on March 31, 2019 (including managed portfolio of Rs 14.81 Crs), which are managed through a network of 43 branches.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Total Income from Operations	Rs. Crores	8.70	6.60
Net Profit	Rs. Crores	0.36	0.17
Tangible Net Worth	Rs. Crores	12.58	13.45
Total Portfolio	Rs. Crores	51.44	42.01
CRAR	%	24.96	37.64
GNPA	%	0.00	0.00
NNPA	%	0.00	0.00

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: No Data Available

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	14 Jun 2019	13 Mar 2018	2017
Fund Based	Long Term	25.11	BWR BB Stable Reaffirm	Rating moved to Not Reviewed Advisory	BWR BB Stable	NA
Total		25.11	INR Twenty Five Crores and Eleven Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

General Criteria

Banks & Financial Institutions

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Need Livelihood Microfinance Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank/FI	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Alwar General Finance Co Ltd	Term Loan	0.90	-	0.90
2.	Ambit Finvest Pvt.Ltd.	Term Loan	0.74	-	0.74
3.	Ananya Finance for Inclusive Growth	Term Loan	5.15	-	5.15
4.	IDFC First (Erstwhile Capital First)	Term Loan	2.73	-	2.73
5.	Eclear Leasing and Finance pvt Ltd	Term Loan	1.90	-	1.90

6.	Gramin Bank of Aryavart (GBA)	Term Loan	1.30	-	1.30
7.	Habitat Micro Build India Housing Finance Co. Pvt Ltd	Term Loan	1.92	-	1.92
8.	JAIN Sons Finlease Limited	Term Loan	0.73	-	0.73
9.	Kashi Capital Pvt Ltd	Term Loan	0.63	-	0.63
10.	MAS Financial Services Limited	Term Loan	6.91	-	6.91
11.	Micro Units Development & Refinance Agency	Term Loan	0.24	-	0.24
12.	Muthoot Capital	Term Loan	1.96	-	1.96
TOTAL					25.11

Total Rupees Twenty Five Crores and Eleven Lakhs only.

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