

Press Release

Hand In Hand India (HIHI)

13 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the above mentioned facility of Hand In Hand India (HIHI). The outlook is '**Stable**'.

Dr. Kalpana Sankar and Dr. Percy Bernevik, are the co-founders of Hand in Hand India, a public charitable trust based in Kanchipuram, now having operations across 11 states in India.

List of key rating drivers and their detailed description

Strengths:

Established track record and experienced management: HIHI, established in 2002 is engaged in activities related to empowerment of women and provides training to self-help groups apart from micro finance lending. The 6 trustees possess extensive experience in micro finance, the social sector, finance, technology among others. Mr. N. Jeyaseelan, the CEO has more than two decades of experience in the aforementioned.

Moderate capitalisation and comfortable liquidity profile: The comfortable capitalisation of the trust is reflected in the capital adequacy ratio (CAR) of 30.58 per cent as on 31 March, 2016 as against CAR of 42.48 per cent in the previous year. The trust has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans ranges between 12-24 months, whereas the incremental bank funding is typically for 12-36 months.

Sound asset quality: HIHI's Assets under Management (AUM) in FY2016 witnessed growth of 45.50 per cent over FY2015. The trust has maintained sound asset quality of over 99.61 per cent over the same period. Although the sector has been impacted due to demonetisation, the asset quality of HIHI has been comfortable at 98.70 percent from April 2016 – December 2016.

Weaknesses:

Moderate loan portfolio: HIHI has moderate loan portfolio of Rs.57.76 crore in FY2016 compared to Rs.39.68 crore in FY2015. The loan portfolio stands at Rs.49.04 crore as on December 2016.

Concentrated resource profile: HIHI has developed funding relationships with six PSU banks. However, the resources profile continues to remain concentrated towards borrowing from bank which stood at ~100 percent of total borrowing.

Low profitability: The trust reported profit before tax of Rs.0.60 crore (ROA of 0.53 per cent) on total income of Rs.44.80 crore in FY2016 compared to Rs.0.48 crore (ROA 0.46 per cent) on Rs.40.27 crore in FY2015.

Moderate geographical reach: HIHI's operations are concentrated in Tamil Nadu (~88 per cent) as on 31 March, 2016 (PY: ~97 per cent as on 31 March, 2015). However, the trust plans to expand microfinance operations to Karnataka, Madhya Pradesh, Odisha, Rajasthan and Maharashtra.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the trust.

Applicable Criteria

- Non-Banking Entities : <https://www.smera.in/criteria-nbfc.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that HIHI will maintain a Stable outlook over the medium term owing to the experienced management and adequate capitalisation. The outlook may be revised to 'Positive' if HIHI scales up operations and diversifies its loan portfolio geographically while maintaining capital position, asset quality and profitability. Conversely, the outlook may be revised to 'Negative' in case of material change in the asset quality indicators. Any decline in profitability, resulting in stress on capital position or substantial decline in scale of operations may also entail 'Negative' outlook.

About the Rated Entity

HIHI, established in 2002 is a Tamil Nadu-based charitable trust headed by Dr. Kalpana Sankar, Chairperson and Managing Trustee. The operations are managed by Dr. N Jeyaseelan. The trust focuses on activities related to empowerment of women and provides training to self-help groups apart from micro finance lending.

The borrower base comprises 63,259 members as on 31 March, 2016. The trust has 65 branches across 25 districts of Tamilnadu, Karnataka, Madhya Pradesh and Maharashtra.

For FY2015-16, HIHI reported profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.44.80 crore as compared with PAT of Rs.0.48 crore on operating income of Rs.40.27 crore in the previous year.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan I	LT	7.45	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan II	LT	0.33	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan III	LT	3.47	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan IV	LT	3.75	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan I	NA	NA	August 2018	7.45	SMERA BB-/Stable (Assigned)
Term Loan II	NA	NA	April 2017	0.33	SMERA BB-/Stable (Assigned)
Term Loan III	NA	NA	March 2019	3.47	SMERA BB-/Stable (Assigned)
Term Loan IV	NA	NA	December 2018	3.75	SMERA BB-/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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