

Press Release

Bharathi Women Development Centre

December 27, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 20.00 crore bank facilities of BHARATHI WOMEN DEVELOPMENT CENTRE. The outlook is '**Stable**'.

Bharathi Women Development Centre (BWDC) established in 1997 is a Tamil Nadu-based society registered under the Tamil Nadu Societies Registration Act 1997. The society is a charitable trust headed by Mr. M Nagarajan (CEO). The society focuses on micro finance lending to Self Help Groups (SHG - Women) and Joint liability Groups (JLG). The borrower base comprises 23295 members as on October 30, 2017. The society has six branches across Tamil Nadu.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

BWDC was established in 1997. The society focuses on activities related to empowerment of women and provides training to self-help groups apart from micro finance lending. The managing committee possesses more than two decades of experience in the field of microfinance, banking, audit, finance, law and community development.

- **Moderate capitalisation and comfortable liquidity position**

The comfortable capitalisation of the society is reflected in the capital adequacy ratio (CAR) of 30.61 per cent as on 31 March, 2017 as against CAR of 28.98 per cent in the previous year. The society 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 36-60 months. BWDC's gearing stood at 3.89 times as on 31 March, 2017 compared to 3.84 times as on 31 March, 2016.

- **Sound asset quality**

BWDC's Assets under Management (AUM) in FY2016-17 witnessed growth of 13.45 per cent over FY2015-16. The trust has maintained sound asset quality of over 99.74 percent in FY2016-17 despite demonetisation. The same stood at 99.96 percent in FY2015-16. The asset quality however has improved to 99.82 percent as on October 30, 2017 (Provisional).

- **Comfortable profitability indicators**

BWDC's net interest margins (NIMs) stood healthy at 12.71 percent in FY2016-17 compared to 12.86 percent in FY2015-16. The healthy NIMs have enabled BWDC to report a comfortable Return on Average Asset (ROAA) of 3.73 percent in FY2016-17 as against 4.34 per cent in FY2015-16. BWDC is expected to maintain healthy profitability due to lower cost on external borrowings.

Weaknesses

- **Modest scale of operations**

The credit risk profile continues to be constrained by modest scale of operations and outstanding loan book of Rs.15.86 crore on 31st March, 2017 compared to Rs.13.95 crore on 31 March, 2015. The outstanding loan

book stood at Rs.22.46 crore as on October 2017. The society's ability to grow its loan book while maintaining its asset quality shall be vital in improving its credit profile.

• Geographic concentration risk

The society's loan portfolio is also exposed to risks associated with the high degree of geographical concentration arising out of its limited branch spread. The trust has six branches operating in Tamil Nadu. BWDC's ability to geographically diversify its loan portfolio by increasing its branch spread shall be a key credit monitoring factor.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of BWDC to arrive at the rating.

Outlook: Stable

SMERA believes that BWDC will maintain a Stable outlook over the medium term on account of its experienced management, healthy asset quality and comfortable capitalisation levels. The outlook may be revised to 'Positive' in case of sustained increase in loan book while maintaining its asset quality. Conversely, the outlook may be revised to 'Negative' in case of substantial increase in Gross NPA and/or decline in profitability indicators.

About the Rated Entity - Key Financials

	Unit	FY17	FY16	FY15
Total Assets	Rs. Cr.	18.88	15.60	11.02
Total Income	Rs. Cr.	1.95	1.56	1.16
PAT	Rs. Cr.	0.64	0.58	0.49
Net Worth	Rs. Cr.	3.81	3.17	2.62
Return on Assets (RoA)	(%)	3.73	4.34	8.91
Return on Net Worth(RoNW)	(%)	18.45	19.98	37.48
Total Debt/Tangible Net Worth (Gearing)	Times	3.89	3.84	3.12
Gross NPA	(%)	0.00	0.00	0.00
Net NPA	(%)	0.00	0.00	0.00

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Non - Banking Financing Entities - <https://www.smera.in/criteria-nbfc.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.72	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.68	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.04	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.33	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.96	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.27	SMERA BB / Stable

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ABOUT SMERA

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