

Press Release

Bharathi Women Development Centre

November 14, 2019



Rating Upgraded and Assigned

Instruments Rated*	Rs. 35.00 Cr. (Enhanced from Rs. 20.00 Cr.)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.35.00 crore bank facilities of Bharathi Women Development Centre (BWDC). The outlook is '**stable**'.

The rating upgrade is in view of consistent growth in earning assets, which is expected to sustain over the near to medium term. The net profit of the society has improved to Rs 1.01 crore in FY2019 from Rs 0.79 crore in FY2018 and Rs 0.64 crore in FY2017. The asset quality continues to remain healthy with NIL NPAs as on September 2019 and FY2019. Acuité expects the society to sustain its growth over the near to medium term based on experienced management team.

BWDC, established in 1987, is a Tamil Nadu-based society registered under the Tamil Nadu Societies Registration Act, 1975. The society is a not for profit organisation headed by Mr. M Nagarajan. The society primarily offers unsecured Income generation loans (IGL) to Self Help Groups (SHG - Women) and under Joint liability Group (JLG) model for economically weaker section of women borrowers. The society has eleven branches spreads across seven districts in Tamil Nadu and Puducherry as on September 30, 2019. The borrower base comprises 24,706 members as on September 30, 2019 and has an outstanding portfolio of 27.74 Cr as on 30 September 2019.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Bharathi Women Development Centre (BWDC) to arrive at the rating.

Key Rating Drivers:

Strengths

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

The activities of the society includes activities related to empowerment of women and training of self-help groups apart from micro finance lending. The society has been in operations since 1987 and over the years has established its track record in social and micro finance activities. The activities of the society are supported by an experienced management team, led by Mr. Nagarajan. Mr. Nagarajan, Secretary of the society, has over three decades experience in the micro finance business and has been associated with various societies and micro-finance institutions. The managing committee comprises of members having more than two decades of experience in the field of microfinance, audit, finance, law and community development. The experienced management has enabled the society to get the funding support from other NGOs/Trusts.

Acuité believes that BWDC will benefit from its experienced management team and established track record of operations.

- **Sound asset quality:**

BWDC's loan portfolio grew to Rs 27.74 crore as on September 30, 2019 as against Rs 25.37 crore as on

March 31, 2019. It has a sound asset quality reflected in NIL Non-Performing Assets (NPAs) as on September 30, 2019 and March 31, 2019. Further, it demonstrated healthy collection efficiency of over ~99 per cent on an average for the six months ending September 30, 2019.

Going ahead, Acuité expects BWDC to benefit from its sound asset quality.

Weaknesses

- **Modest scale of operations and high geographical concentration:**

The society has modest scale of operations with an outstanding loan portfolio of Rs. 27.74 Cr as on September 30, 2019. Since BWDC is not for profit organisation, it limits the scope of capital infusion, leading to dependency on grants and profit accretion to increase the networth of the society and thereby its loan portfolio. Going forward, the society is expecting capital support from institutions which will aid in expansion of the loan portfolio.

BWDC's portfolio is exposed to high geographical concentration risk, as ~ 96 per cent of the total portfolio is concentrated in the state of Tamil Nadu and remaining 4 per cent in Puducherry, spread across seven districts & eleven branches. Generally, the risk profile of a MFI with a geographically diversified portfolio is more resilient compared to that of entity with a geographically concentrated portfolio

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on BWDC's credit profile over the near to medium term.

Liquidity Position: Adequate

The society has an adequate matched liquidity position with no cumulative mismatches in all maturity buckets as on March 31 2019. The tenure of loans ranges between 18-24 months, whereas the incremental bank funding is typically for 36-60 months. The long tenure of the borrowings results in moderate repayment obligations, thus supporting the liquidity of the society.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	32.55	27.96	18.88
Total Income (Net of Interest Expense)	Rs. Cr.	3.39	2.92	2.65
PAT	Rs. Cr.	1.01	0.79	0.64
Net Worth	Rs. Cr.	5.61	4.60	3.81
Return on Average Assets (RoAA)	(%)	3.34	3.37	3.73
Return on Average Net Worth (RoNW)	(%)	19.78	18.77	18.45
Total Debt/Tangible Net Worth (Gearing)	Times	4.73	4.99	3.89
Gross NPAs	(%)	0.00	0.10	0.10
Net NPAs	(%)	0.00	0.05	0.11

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/ Outlook
28 December 2018	Term loan	Long Term	20.00	ACUITE BB /Stable (Reaffirmed)
27 December 2017	Term loan	Long Term	20.00	ACUITE BB / Stable (Assigned)

***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 loan	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.88	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.28	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
Proposed term loan	Not Applicable	Not Applicable	Not Applicable	30.46	ACUITE BB+ / Stable (Assigned)

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About Acuité Ratings & Research:

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