

Press Release

Bharathi Women Development Centre

November 25, 2020



Rating Reaffirmed

Total Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) on the Rs. 40.00 crore bank facilities of Bharathi Women Development Centre (BWDC). The outlook is '**Stable**'.

The rating continues to reflect the experience of the management along with an established presence in the operating areas. The strength is partially offset by modest scale of operations, geographic concentration and competition inherent to microfinance lending.

About BWDC

Tamil Nadu-based, BWDC was established in 1987, as a non-profit organisation. It is registered under the Societies Registration Act, 1975. BWDC extends micro-credit to the poor and underprivileged women in the society, engaged in income-generating activities under the Joint Liability Group (JLG) and Self Help Group (SHG) model. The society caters to the rural areas of Tamil Nadu and Puducherry.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established presence in area of operation:

BWDC, commenced its lending operations in 2009, offering micro-credit to women engaged in income generating activities under the Joint Liability Group (JLG) model and Self Held Group (SHG) model. The society also extends Small Business Loan and Water & Sanitation loans. BWDC caters to rural areas of Tamil Nadu and Puducherry with its network of 11 branches across 7 districts. BWDC is promoted by Mr. M. Nagarajan (CEO). The board members are Ms. VS Kusala Kumari (President), Ms. Amirthavalli. R (Vice President). BWDC's managing committee includes seasoned professional like Ms. J. Selva Kumari (Joint Secretary) and Dr. K. Baskar (Treasurer), who have over three decades of experience working with various societies engaged in microfinance lending.

Over the years, BWDC has expanded its operations to build an AUM of Rs. 32.71 Cr. as on Sep 30, 2020 as compared to Rs. 29.00 Cr. as on Mar 31, 2019 and Rs.25.24 Cr. as on Mar 31, 2018. Acuité believes that experience of the promoters and management will be central to support the business risk profile of the society.

BWDC's return on average assets (ROAA) as on March 31, 2020 stood at ~3.3 percent vis. a vis. ~3.4 percent as on March 31, 2019. The company had zero gross non-performing assets (GNPAs) as on March 31, 2020.

Weaknesses

Geographic Concentration:

BWDC has a major presence in Tamil Nadu ~84 percent and remaining 16 percent in Puducherry. This exposes BWDC to high geographical concentration risk. Thus, business performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. The impact of Covid-19 may also

impair the scalability of business operations, which has currently disrupted collections and disbursement processes for Q1FY2021. Although, BWDC has demonstrated healthy asset quality in the past with negligible Gross Non-Performing Assets (GNPA). Further, the collection efficiency has also shown improvement to in Q2FY2021. Acuité believes that going forward the ability of the company to scale up its operation while maintaining the sound asset quality will be key rating sensitivity.

Liquidity Position: Adequate

BWDC's overall liquidity profile remains adequate in near to medium term. BWDC's borrowings stood at ~Rs. 26.89 Cr. with a gearing of ~4.0 times as on March 31, 2020. The borrowings of BWDC have an average maturity of 18 to 24 months against average lending tenure of ~12 to 24 months. The society has maintained cash and bank balance of ~Rs. 0.28 Cr. as on March 31, 2020. BWDC's collections stood at ~Rs. 6.08 Cr. and Rs. 8.10 Cr. for the Q1FY2021 and Q2FY2021 respectively.

Rating Sensitivities

- Impact of natural calamities like Covid-19 on ongoing operations
- Movement in collection efficiency
- Changes in regulatory environment
- Significant growth in loan book

Material Covenants

None

Outlook: Stable

Acuité believes that BWDC will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	34.17	32.55
Total Income (Net of Interest Expense)	Rs. Cr.	3.73	3.39
PAT	Rs. Cr.	1.11	1.01
Net Worth	Rs. Cr.	6.72	5.61
Return on Average Assets (RoAA)	(%)	3.33	3.34
Return on Average Net Worth (RoNW)	(%)	18.01	19.78
Total Debt/Tangible Net Worth (Gearing)	Times	4.00	4.73
Gross NPAs	(%)	0.00	0.00
Net NPAs	(%)	0.00	0.00

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-52.htm>
- Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Nov-2019	Term Loan	Long Term	0.11	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Term Loan	Long Term	0.88	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Term Loan	Long Term	1.15	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Term Loan	Long Term	0.28	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Term Loan	Long Term	1.02	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Term Loan	Long Term	1.10	ACUITE BB+/Stable (Upgraded from ACUITE BB/ Stable)
	Proposed Term Loan	Long Term	30.46	ACUITE BB+/Stable (Assigned)
28-Dec-2018	Term Loan	Long Term	1.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	3.04	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	1.75	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB (Withdrawn)
	Term Loan	Long Term	2.00	ACUITE BB (Withdrawn)
	Term Loan	Long Term	2.25	ACUITE BB/Stable (Reaffirmed)
	Proposed Term Loan	Long Term	9.40	ACUITE BB/Stable (Reaffirmed)
27-Dec-2017	Term Loan	Long Term	1.72	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	1.68	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	3.04	ACUITE BB/Stable (Assigned)

	Term Loan	Long Term	1.33	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	2.96	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	3.27	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	26-Feb-2018	12.67%	30-Jan-2023	4.93	ACUITE BB+/Stable (Reaffirmed)
Term Loan	30-Aug-2016	11.78%	11-Dec-2021	2.29	ACUITE BB+/Stable (Reaffirmed)
Term Loan	11-Aug-2015	11.75%	31-Jul-2024	1.80	ACUITE BB+/Stable (Reaffirmed)
Term Loan	31-Mar-2017	11.15%	29-Jun-2023	1.28	ACUITE BB+/Stable (Reaffirmed)
Term Loan	07-Oct-2016	12.15%	28-Sep-2021	0.61	ACUITE BB+/Stable (Reaffirmed)
Term Loan	26-Sep-2018	12.00%	26-Sep-2021	2.03	ACUITE BB+/Stable (Reaffirmed)
Term Loan	07-Jan-2019	13.05%	07-Jan-2022	1.67	ACUITE BB+/Stable (Reaffirmed)
Term Loan	30-Mar-2019	11.35%	30-Aug-2022	3.78	ACUITE BB+/Stable (Reaffirmed)
Term Loan	21-Mar-2020	13.00%	21-Mar-2023	2.00	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Not Available	7.50%	Not Available	1.10	ACUITE BB+/Stable (Reaffirmed)
Term Loan	30-Jan-2020	18.00%	30-Jan-2022	2.85	ACUITE BB+/Stable (Reaffirmed)
Term Loan	16-Aug-2017	14.75%	16-Aug-2020	2.55	ACUITE BB+/Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	13.11	ACUITE BB+/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President – Rating Operations Tel: 022-49294071 mohit.jain@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294021 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 022-49294072 simranjeet.kaur@acuiteratings.in	

About Acuité Ratings & Research:

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