



Press Release
Bharathi Women Development Centre
November 02, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 50.00 crore bank facilities of Bharathi Women Development Centre (BWDC). The outlook is '**Stable**'.

The rating continues to factor in the experienced management and moderate capitalisation levels. BWDCs capital adequacy ratio stood at 24.38 percent as on June 30, 2023 as against 26 percent as on March 31, 2023. The rating takes in to account healthy asset quality indicators marked by GNPA and NNPA of 0.14 percent and 0.07 percent respectively as on June 30, 2023. BWDC has been able to maintain healthy asset quality metrics on account of its established business model. The collection efficiency for June 30, 2023 stood at 98.93 percent. These strengths are partially offset by modest scale of operations, geographic concentration and limited financial flexibility with further constrains AUM growth. Going forward, the company's ability to profitably scale up its operations while maintaining its asset quality and profitability shall be key monitorables.

About the company

Tamil Nadu-based, BWDC was established in 1987, as a non-profit organization. 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. The board of directors comprise of Ms V S Kusala Kumari (President), Ms. Amirthavalli. R (Vice President) and Mr. M. Nagarajan (CEO).

Unsupported Rating

None

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of BWDC to arrive at this rating.

Key Rating Drivers

Strength

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, Agriculture Loans and Water & Sanitation loans. BWDC caters to rural areas of Tamil Nadu and Puducherry with its network of 15 branches across 8 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. 50.15 Cr. as on March 31, 2023 as compared to Rs. 38.71 Cr. as on March 31, 2022. The loan book moderated to Rs 43.4 Cr as on June 30, 2023.

Acuité believes that experience of the promoters and management will be central to support the business risk profile of the society.

Healthy Asset Quality; Adequate Profitability

BWDC has been able to maintain healthy asset quality metrics on account of its established business model. BWDC receives 99% the dues within time, which ensures the asset quality. AUM has also increased to Rs. 50.15 crore as on March 31, 2023 from Rs. 38.71 crore in FY2022. The overall profitability has largely been stable, BWDC reported a marginal decline in the bottom-line to Rs. 1.40 Cr in FY2023 as compared to Rs. 1.43 Cr in FY2022. (Rs. 1.40 Cr in FY2021).

Acuité believes that going forward the ability of the company to maintain sound asset quality and adequate profitability will be key rating sensitivity.

Weakness

Modest scale of operations and low geographic concentration

BWDC has a major presence in Tamil Nadu and remaining towards 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 microfinance sector is also susceptible to regulatory risks. Such institutions lend to the poor and downtrodden sections of society, and will therefore remain exposed to socially sensitive factors and, consequently, to tighter regulations and legislation.

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.

Limited Financial Flexibility

BWDC being a non-profit organization, has limited scope of raising equity capital which further constrains its ability to borrow and scale up business operations. BWDC relies on external borrowings which comprises of term loans from banks and NBFCs/FIs that amounts to Rs. 50.97 crore as on March 31, 2023. The gearing levels as on March 31, 2023 remained at 4.66x as compared to 3.95x as on March 31, 2022. Further, due to highly leveraged capital structure the society might face difficulty in attracting additional funding to support the growth in operations which may consequently impact its profitability and hinder growth plans.

Acuité believes that going forward the company's ability to maintain prudent capitalisation and gearing levels would be critical.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability and capitalisation buffers
- Changes in regulatory environment

All Covenants

None

Liquidity Position Adequate

BWDC's overall liquidity profile remains adequate in near to medium term. The society has maintained cash and cash equivalents of Rs. 1.33 Cr as on March 31, 2023. The company has witnessed current collection efficiency of around 98.17 percent in June 30, 2023, which further supports its liquidity profile.

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.

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	62.27	47.54
Total Income*	Rs. Cr.	5.56	5.01
PAT	Rs. Cr.	1.40	1.43
Net Worth	Rs. Cr.	10.95	9.55
Return on Average Assets (RoAA)	(%)	2.55	3.46
Return on Average Net Worth (RoNW)	(%)	13.69	16.17
Debt/Equity	Times	4.66	3.95
Gross NPA	(%)	0.08	0.00
Net NPA	(%)	0.04	0.00

*Total income equals to Net Interest Income plus other income.

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

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Mar 2023	Term Loan	Long Term	1.90	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.50	ACUITE BB+ (Issuer not co-operating*)
	Proposed Term Loan	Long Term	8.67	ACUITE BB+ (Issuer not co-operating*)
	Proposed Term Loan	Long Term	10.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	4.79	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	4.75	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	2.35	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	2.28	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	1.11	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.98	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.83	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	4.01	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	3.03	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	1.33	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	1.05	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.65	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.27	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	1.05	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.11	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.35	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.27	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.75	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.03	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	10.00	ACUITE BB+ Stable (Assigned)
		Long		ACUITE BB+ Stable

07 Dec 2021	Term Loan	Term	1.50	(Reaffirmed)
	Term Loan	Long Term	1.90	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.28	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.83	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.98	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.65	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.01	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.33	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.79	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	8.67	ACUITE BB+ Stable (Reaffirmed)
25 Nov 2020	Proposed Term Loan	Long Term	13.11	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.93	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.85	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.03	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.80	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.29	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.67	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.28	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.55	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1.03	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.64	ACUITE BB+ Stable Reaffirmed
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.16	ACUITE BB+ Stable Reaffirmed
Millap Social Ventures Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.01	ACUITE BB+ Stable Reaffirmed
Tamil Nadu Mercantile Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.50	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.43	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.07	ACUITE BB+ Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.31	ACUITE BB+ Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.12	ACUITE BB+ Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.73	ACUITE BB+ Stable Reaffirmed
Maanaveeya Development & Finance Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.00	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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