

Press Release

Innovative Microfinance For Poverty Alleviation And Community

Transformation

D-U-N-S® Number: 87-396-5488

January 04, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 34.80 Cr. (Enhanced from Rs. 24.80 Cr.)
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) on the Rs. 34.80 crore bank facilities of Innovative Microfinance For Poverty Alleviation And Community Transformation. The outlook is '**Stable**'.

IMPACT, established in 2004, is a Tamil Nadu-based company classified under section 8 of The Companies Act, 2013. IMPACT focuses on activities related to empowerment of women and provides training to self-help groups apart from micro finance lending. The borrower base comprises 21896 members as on March 31, 2018. The company has 9 branches across Tamilnadu, Kerala, Chattisgarh and Uttar Pradesh.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of Innovative Microfinance for Poverty Alleviation and Community Transformation (IMPACT) to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations**

IMPACT's management has professionals drawn from diverse fields. Company is headed by Mr. Cherian Thomas, Chairperson. The 7 member board of directors possess more than three decades of experience in the field of microfinance, banking, audit, finance, law and community development. The operating team of the company also has past experience in micro finance business which supports its operations.

- **Healthy asset quality**

Asset quality is healthy with gross non-performing assets (GNPA; on a 90+ days NPA recognition basis) ratio of 0.16 percent as on March 31, 2018 as against 0.95 percent as on March 31, 2017. 30+ portfolio at risk (PAR) also remained low at 0.19 percent. Healthy asset quality is attributed to JLG model which reduces the risk of borrowers defaulting on their repayments.

- **Moderate capitalisation**

IMPACT is moderately capitalized with net worth and gearing of Rs. 8.56 Cr and 3.73 times, respectively, as on March 31, 2018 as against Rs. 7.50 Cr and 3.08 times, respectively, as on March 31, 2017. Tier-1 capital adequacy ratio was at 25 percent as on 31st March 2018 as against 32 percent as on 31st March, 2017.

- **Comfortable profitability indicators**

IMPACT's net interest margins (NIMs) stood healthy at 13.14 percent in FY2016-17 compared to 13.20 percent in FY2015-16. The healthy NIMs have enabled AFPL to report a comfortable Return on Average Asset (ROAA) of 2.37 percent in FY2016-17 as against 2.88 per cent in FY2015-16. IMPACT is expected to maintain a healthy profitability due to lower cost on external borrowings.

Weaknesses

• Moderate scale of operations with high geographical concentration

IMPACT has modest scale of operation with reported outstanding loan portfolio of Rs. 34.64 Cr as on March 31, 2018 as against Rs. 23.14 Cr a year ago. The scale of operations is constrained on account of the not-for-profit structure of IMPACT as reflected in its small networth of Rs. 8.56 Cr as on March 31, 2018 as against Rs. 7.50 Cr as on March 31, 2017. Though the company has operations in 4 states, IMPACT is still exposed to high geographical concentration risk as the portfolio is concentrated in the states of Tamil Nadu and Kerala which constitutes over 97.16 percent of loan book as on 31st March, 2018. Acuité believes that the ability of the company to increase its loan portfolio along with a geographical diversification would be key rating sensitivity factor.

• Liquidity Position:

Company has a tightly matched liquidity position with high level of repayment scheduled in FY19 at Rs. 13.02 Cr as against total bank borrowings of Rs. 31.93 Cr. Also, the company has utilized all bank lines for funding its loan portfolio. The company proposes to refinance the existing debt through new term loan sanctions and its ability to do so in a timely manner will remain a key monitorable.

Outlook: Stable

Acuité believes that IMPACT will maintain a stable risk profile over the medium term on account of its experienced management and healthy asset quality. The outlook may be revised to 'Positive' in case of sustained increase in loan Book while maintaining asset quality and profitability. The outlook may be revised to 'Negative' in case of deterioration in asset quality or profitability.

About the Rated Entity - Key Financials

	Unit	FY18	FY17	FY16
Total Assets	Rs. Cr.	40.72	30.90	25.06
Total Income (Net of Interest Expense)	Rs. Cr.	3.81	3.24	2.46
PAT	Rs. Cr.	0.85	0.66	0.61
Net Worth	Rs. Cr.	8.56	7.50	6.74
Return on Average Assets (RoAA)	(%)	2.38	2.37	4.88
Return on Average Net Worth (RoNW)	(%)	10.62	9.29	18.16
Total Debt/Tangible Net Worth (Gearing)	Times	3.73	3.08	2.70
Gross NPAs	(%)	0.16	0.95	0.21
Net NPAs	(%)	0.03	0.13	0.00

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
08-Jan-2018	Term Loan	Long Term	INR 2.5	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 5	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 2	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 5	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 5	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 5	ACUITE B+ / Stable (Assigned)
	Proposed	Long Term	INR 0.3	ACUITE B+ / 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 loans	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	9.54	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE B+ / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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