

Press Release

Welfare Organization for Multipurpose Mass Awareness Network (WOMAN)

28 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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. 10.00 crore bank facilities of WOMAN. The outlook is '**Stable**'.

The Society was founded under the name "Saranalaya" in the year 1992 and renamed as WOMAN in 1998. It is a Tamil Nadu-based society under the Tamil Nadu Societies Registration Act 1975. From its inception until 2005, WOMAN concentrated on community development programme including social and cultural initiatives, hygiene and sanitation, income generating activities, trainings, awareness camps, legal camps, and family counseling. From 2005 onwards, WOMAN initiated its microfinance programme and began its lending activities to women borrowers organized into self-help groups (SHGs) & Joint Liability Groups (JLGs) in rural and urban areas. From 2005, WOMAN started its Micro finance activities to SHGs/JLGs to encourage savings and thrift of womenfolk. The borrower base comprises 10601 members as on March 31, 2018. The trust has 6 branches across Tamilnadu.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

WOMAN (erstwhile SARANALAYA) has an established presence of more than a decade in the micro finance sector. The founder & Chairman Mrs. Kannaghi is a graduate and has almost two decades of experience in the banking sector. She has engaged herself in social service activities and overall upliftment of woman. The society is also supported by the president & board member Mr. Rajanarayan, who is a mechanical engineer & has rendered his services to several companies. He joined WOMAN in the year 2014 to give his support for the future growth of the organization. The Society is also supported by Mr. Dhivakar, who is the treasurer and has more than a decade's experience in micro finance sector. His contribution has enabled WOMAN to monitor the collections on time.

Moderate profitability

The profitability of WOMAN is reflected by moderate improvement in Return of Average Assets (RoAA) of 1.68 per cent on 31st March, 2017 as compared to 1.05 percent on 31st March, 2016. The improvement is largely supported by non-operating income from sale of fixed assets worth Rs.0.18 crore. The Net Interest Margin (NIM) stood moderate but declined from 13.73 percent as on 31st March, 2016 to 10.15 percent as on 31st March, 2017. As reported by the company, the NIM for FY2018 stood at 9.59%. The company reported a modest Profit after Tax (PAT) of Rs.0.18 Crore on an operating income of Rs.1.74 Crore in FY2017 against PAT of Rs. 0.08 Crore on Rs. 1.47 Crore in FY2016. As reported, for FY2018, the Profit after Tax (PAT) improved to Rs.0.35 Crore on an operating income of Rs.4.36 Crore. SMERA expects WOMAN's profitability to

improve over the medium term driven by its continued focus on efficiency through reduction of collection costs and automation of billing system.

Adequate capitalisation

WOMAN reported capital adequacy (CRAR) of 43.20 per cent as on FY2017 as compared to 39.85 percent as on FY2016, reflecting adequate capital position commensurate with its scale of operations. As reported, for FY2018, the CRAR stood at 27.63 per cent; the decline is mainly on account of increase in loan book to Rs.20.68 crore. WOMAN's sound asset quality is reflected in its nil Gross Non-Performing Assets (GNPA) on Rs. 12.33 crore as on 31 March, 2017.

Weaknesses

Modest, albeit increasing, scale of operations

The society's credit risk profile continues to be constrained by modest scale of operations. Even though the society's loan portfolio improved but stood moderate at Rs.12.33 crore in FY2017 from Rs. 4.92 crore in FY2016. The loan book stood at Rs. 20.68 crore for the year ending FY2018. The active loan clients over the year have also increased from 2254 in FY2016 to 5098 in FY2017. The society is increasing its presence which is reflected in the increase in number of borrower's i.e.10601 for FY2018. WOMAN's ability to grow its loan book while maintaining its asset quality shall be crucial in improving the credit profile. WOMAN's loan portfolio is exposed to risks associated with high degree of geographical concentration arising out of its limited branch spread. The society has 6 branches operating in Tamil Nadu. WOMAN'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 WOMAN to arrive at the rating.

Outlook: Stable

SMERA believes that WOMAN will maintain a Stable outlook over the medium term on account of its experienced management, healthy asset quality and comfortable capitalization 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.

	Unit	FY17	FY16	FY15
Total Assets	Rs. Cr.	14.29	7.66	8.13
Total Income	Rs. Cr.	1.39	1.01	1.15
PAT	Rs. Cr.	0.18	0.08	0.02
Net Worth	Rs. Cr.	5.33	1.96	1.86
Return on Assets (RoA)	(%)	1.68	1.05	0.41
Return on Net Worth(RoNW)	(%)	5.07	4.32	1.78
Total Debt/Tangible Net Worth (Gearing)	Times	1.64	1.86	2.15
Gross NPA	(%)	0.00%	0.00%	0.00%

Net NPA	(%)	0.00%	0.00%	0.00%
Net Worth/ Net NPA	Times	Nil	Nil	Nil

About the Rated Entity- Key Financials

Any other information

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable): None

Annexure - Details of instruments rated

Name of the facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB/Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury, President – Ratings Operations Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Aditi Shah Analyst - Rating Operations Tel: 022-67141371 aditi.shah@smera.in	

ABOUT SMERA

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