

Press Release

Welfare Organization for Multipurpose Mass Awareness Network (WOMAN)

May 29, 2019

Rating Withdrawn and Assigned

Total Bank facilities rated	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB-/Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) to the Rs. 60.00 Cr. bank facilities of WOMAN. The outlook is '**Stable**'.

Further, Acuité has withdrawn the rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs. 10 Cr. bank facilities of WOMAN.

The upward revision in the rating reflects the growth in loan portfolio while maintaining the asset quality at healthy levels. Acuité expects WOMAN to sustain the improvement in the operating parameters over the near to medium term, on the back of its established network in Tamil Nadu and prudent underwriting and monitoring policies. WOMAN loan book has increased from Rs. 30.32 crore as on March 31, 2019 as against Rs. 20.57 crore as on March 31, 2018. The asset quality continues to be healthy with NPA being contained at below 1 percent.

About WOMAN:

WOMAN (erstwhile 'Saranalaya') is a Tamil Nadu based society registered under Tamil Nadu Societies Registration Act, 1975. The society was founded in 1992 and renamed as WOMAN in 1998.

The society commenced its microfinance lending operations in 2005 and extends credit to women borrowers organized in self-help groups (SHGs). Prior to which, the society was engaged in community development programme including social and cultural initiatives, hygiene and sanitation, income generating activities, trainings among others.

WOMAN has commenced lending to Joint Liability Groups (JLGs) since 2017 and has a base of 2630 JLGs and 969 SHGs as on March 31, 2019. The society primarily operates in 8 districts of Tamil Nadu through a network of 12 branches as on March 31, 2019.

Analytical approach:

Acuité has adopted a standalone approach on WOMAN's business and financial risk profile for arriving at the rating.

Key Rating Drivers

Strengths

• Established presence in microfinance lending

WOMAN (erstwhile 'Saranalaya') has established presence in the rural and semi urban districts of Tamil Nadu since 1992 and has been engaged in microfinance lending since 2005.

The society was founded by Mrs. Kannaghi (Chairperson), a graduate who has over two decades of experience in the banking sector. She has engaged herself in social service activities and overall empowerment of woman. The society is also supported by the President & Board member, Mr. Rajanarayan, who has rendered his services to several companies. The society is supported by seasoned professionals from the microfinance segment.

Mrs. Kannaghi had founded WOMAN with the aim of women empowerment and social development. For over 13 years, WOMAN was engaged in community development programme including social and

cultural initiatives, hygiene and sanitation, income generating activities, trainings among others. The established presence in Tamil Nadu and microfinance segment has enabled the society to establish strong connect among the members in the region. In order to provide the underprivileged access to funding, the society commenced microfinance lending in 2005.

WOMAN, over the years has increased its network from 6 branches across 3 districts of Tamil Nadu as on March 31, 2018 to 12 branches across 8 districts of Tamil Nadu as on March 31, 2019.

WOMAN has been shifting its focus to JLG model, which comparatively is stronger than SHG. The number of JLGs that WOMAN caters to has increased from 2630 as on March 31, 2019 as against 773 JLGs as on March 31, 2018.

Acuité believes that the society's established presence in the microfinance segment along with experienced management will continue to support the overall business profile of WOMAN.

- **Healthy asset quality; albeit on a modest loan portfolio**

WOMAN is engaged in unsecured lending to marginal woman borrowers engaged in agriculture and allied activities. The society is enabled with Core Banking solutions which provides complete solution for Micro Finance activities with respect to Management Information System (MIS), Finance & Accounting and Agency Banking (Credit Appraisal, Collection & Remittance).

WOMAN has demonstrated healthy asset quality with Gross NPA of 0.67 percent as on March 31, 2019 as against 0.17 percent as on March 31, 2018. The spike in delinquency is primarily due to Gaja Cyclone which had affected Keeranur, Pudukkottai, Ponnamaravathy and Mannargudi districts of Tamil Nadu in November 2018. This had resulted in overdues of Rs. 0.35 Cr. The company has demonstrated healthy recovery rate, wherein the overall overdues as on March 31, 2019 was Rs. 18 Cr. of which Rs. 0.17 Cr. pertains to the cyclone hit districts. The Society's average collection efficiency during the 12 months ended March 31, 2019 was 96 percent. WOMAN's ability to maintain healthy asset quality will remain a key monitorable.

The society's loan portfolio has grown to Rs. 30.32 crore as on March 31, 2019 as against Rs. 20.57 crore as on March 31, 2018. The disbursements have increased to Rs. 47.35 Cr. during FY2019 as against Rs. 24.11 Cr. during 2018. The growth is supported by increased penetration to 8 districts with a network to 12 branches as on March 31, 2019.

Acuité believes that WOMAN's demonstrated ability to practice prudent underwriting and appraisal standards while achieving its growth objectives will continue to augur well to the overall asset quality.

Weaknesses

- **Future profitability is linked to its ability to raise resources at competitive prices**

WOMAN is a society registered under Tamil Nadu Society Registration Act, 1975. On account of its constitution as a society, WOMAN has limitations on its capital raising ability vis. a vis. other NBFC-MFIs who can raise additional equity by issue of shares at a premium. This in turn also impacts its ability to raise additional debt from banks/FIs, thereby placing constraints in its growth.

WOMAN being a society, the primary source for augmenting its capital base is plough back of profits and capital infusion by promoters/members. WOMAN's networth stood at Rs. 7.95 Cr. as on March 31, 2019 (Provisional) as against Rs. 5.54 Cr. as on March 31, 2018. The promoters have infused Rs. 5.23 Cr. in the three year ended March 31, 2019.

The society has borrowings from 11 banks/FIs with interest rates ranging from 13.25 percent to 11 percent. The society had external borrowings of Rs. 30.02 Cr. as on March 31, 2019 (Provisional) as against Rs. 20.25 Cr. as on March 31, 2018; which has moved in tandem with the growth in loan portfolio. The society's gearing stood at 3.8 times as on March 31, 2019 (Provisional) as against 3.7 times as on March 31, 2018.

The society has faced challenges in raising external debt in the past which has resulted in restrictions on yield on advances and higher cost of funds. Constitution as a society may impinge on its ability to raise funds at competitive pricing from banks/FIs going forward.

WOMAN's profitability metrics are susceptible to its ability to raise funds at competitive rates. WOMAN reported net interest margins (NIMs) of 8.58 percent in FY2019 as against 9.6 percent and 10.15 percent in FY2018 and FY2017 respectively. The moderation is primarily due to higher cost of funds. The society has a Return on average assets (RoAA) of 1.15 percent in FY2019 as against 1.58 percent in FY2018 and 1.68 percent in FY2017. The recent NBFC crisis has arrested WOMAN's ability to raise funds from banks at competitive rates, as banks have been adopting a cautious and selective approach while initiating exposures to the NBFC sector.

Acuité believes that the society's ability to maintain its profitability levels will be linked to its ability to raise funds at competitive pricing and deploy them in healthy assets.

- **Significant geographical concentration in loan book**

WOMAN is engaged in unsecured lending to marginal woman borrowers from economically challenged sections of the society. The ticket size is small and the loans are extended primarily for animal husbandry, agriculture and allied activities. The society's loan portfolio is exposed to significant event risks since 3 districts namely Trichy, Keeranur and Pudukkottai accounted for 63 percent of the portfolio outstanding as on March 31, 2019. Occurrence of events such as cyclone/calamities is likely to have a bearing on the ability of the borrower to service their loans in a timely manner. This in turn will have an impact on the credit profile of WOMAN.

Liquidity Position:

WOMAN's overall liquidity profile remains comfortable, given that advances comprise relatively shorter-tenure microfinance loans compared to the tenure of borrowed funds. There are no cumulative negative mismatches in any of the time buckets upto 5 years.

Outlook: Stable

Acuite believes that WOMAN will maintain a 'Stable' outlook over the medium term on account of its established track record in Microfinance lending and healthy asset quality metrics. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining its asset quality and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in leverage indicators or in case of significant deterioration in earning profile and asset quality metrics.

About the Rated Entity - Key Financials

Parameters	Unit	FY19 (Provisional)	FY18 (Audited)	FY17 (Audited)
Total Assets	Rs. Cr.	38.09	26.08	14.29
Total Income*	Rs. Cr.	3.01	2.19	1.39
PAT	Rs. Cr.	0.37	0.32	0.18
Net Worth	Rs. Cr.	7.95	5.54	5.33
Return on Average Assets (RoAA)	(%)	1.15	1.58	1.68
Return on Average Net Worth(RoNW)	(%)	5.46	5.87	5.07
Total Debt/Tangible Net Worth (Gearing)	Times	3.77	3.66	1.64
Gross NPA	(%)	0.67%	0.17%	0
Net NPA	(%)	0.67%	0.17%	0

* Total income equals to Net interest income plus other income

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

None

Any other information

None

Applicable Criteria

- Non-Banking Financing Entities - <https://acute.in/view-rating-criteria-10.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
April 28, 2018	Term Loan	Long Term	10.00	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	NA	NA	NA	10.00	ACUITE BBB- (Withdrawn)
Term Loan	NA	NA	NA	1.04	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	6.17	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	3.28	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	4.42	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	4.22	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	3.05	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	0.46	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	1.57	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	1.78	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	2.00	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	1.01	ACUITE BBB-/Stable (Assigned)
Term Loan	NA	NA	NA	2.00	ACUITE BBB-/Stable (Assigned)
Proposed Term Loan	NA	NA	NA	29.00	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

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