

Press Release

Welfare Organization for Multipurpose Mass Awareness Network

August 20, 2020



Rating Reaffirmed, Assigned & Withdrawn

Total Bank Facilities Rated*	Rs. 60.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed, Assigned & Withdrawn)

*Refer annexure for details

Rating Rationale

Acuité has reaffirmed and assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 60.00 crore bank facilities of Welfare Organisation for Multipurpose Mass Awareness Network (WOMAN). The outlook is '**Stable**'.

Further, Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 7.21 crore bank facilities of Welfare Organisation for Multipurpose Mass Awareness Network (WOMAN).

About the society

Welfare Organisation for Multipurpose Mass Awareness Network (WOMAN) (erstwhile 'Saranalaya') is a Tamil Nadu based society registered under Tamil Nadu Societies Registration Act, 1975. The society was founded in 1992 by Mrs. Kannaghi Chandrasekaran with a focus on women empowerment and was later renamed as WOMAN in 1998. In 2005, the society commenced its microfinance operations extending credit to women borrowers organized into Self Help Groups (SHG). Since its inception, the society has been engaged in community development programme including social and cultural initiatives, hygiene and sanitation, income generating activities, trainings amongst others. Presently the society extends credit through Joint Liability Groups (JLGs) model and has a base of 4,017 JLGs and 913 SHGs as on March 31, 2020. The society operates through a network of 14 branches spread across 10 districts in the state of Tamil Nadu as on March 31, 2020.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence in micro-finance segment**

WOMAN commenced its microfinance operations in 2005 extending micro-credit to women borrowers through Self Help Group (SHG) program. Since 2017 the society has adopted the Joint Liability Group (JLG) model wherein the women borrowers are engaged in income generating activities. WOMAN caters to the rural areas of Tamil Nadu and also provides skill development training program for income generating activities to its members. The society operates through a network of 14 branches across 10 districts with a loan portfolio of Rs. 38.56 crore as on March 31, 2020.

WOMAN is promoted by Mrs. Kannaghi Chandrasekaran (Founder & Chairperson) who has over two decades of experience in banking sector. Mrs. Kannaghi Chandrasekaran founded WOMAN in 1992 and since then has been involved in social and economical development of women. The established presence in Tamil Nadu has enabled the society to establish strong connect among the members in the region. In order to provide access to funding to the underprivileged section of the society, it commenced microfinance lending in 2005. The operations of the society are further supported by a team of seasoned professionals from the microfinance segment.

Over the years, WOMAN has expanded its operations with a loan portfolio of Rs. 38.56 crore as on March

31, 2020 (Rs. 30.32 crore as on March 31, 2019) along with disbursements of Rs. 54.70 crore made in FY2020. The prudent underwriting policies adopted by the management has enabled the society to maintain a sound asset quality with on-time portfolio at 98.37 percent as on March 31, 2020 and gross non performing assets (GNPA) at 0.39 percent. The sound asset quality was further reflected with an average collection efficiency of 92.09 percent for 12 months ended March 31, 2020. The society is also technologically focused with adoption of software and applications which aid in micro finance business functions constituting management information systems, credit appraisal, collections and remittances.

Acuité believes that WOMAN will continue to benefit from its established presence and experience of the promoters in the microfinance segment.

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. 11.63 crore as on March 31, 2020 as against Rs. 7.95 crore as on March 31, 2019.

The society has borrowings from 15 banks/FIs with interest rates ranging from ~6.43 percent to ~17.50 percent. The society had external borrowings of Rs. 37.97 crore as on March 31, 2020 as against Rs. 31.02 crore as on March 31, 2019; which has moved in tandem with the growth in loan portfolio. The society's gearing stood at 3.27 times as on March 31, 2020. The recent challenging operating environment coupled with a cautious and selective approach adopted by banks has limited the ability of players like WOMAN to access funds.

WOMAN's profitability metrics are susceptible to its ability to raise funds at competitive rates. WOMAN reported net interest margins (NIMs) of 7.19 percent as on March 31, 2020 as compared to 8.58 percent in as on March 31, 2019. The moderation is primarily due to higher cost of funds this has resulted in decline in Return on average assets (RoAA) at 0.88 percent as on March 31, 2020 as against 1.13 percent as on March 31, 2019.

Acuité believes that WOMAN's ability to access low cost funding to scale up its operations while maintaining profitability and its asset quality will remain a key monitorable.

- **Risk inherent to microfinance segment and elevated stress in asset quality**

The microfinance activities carried out by WOMAN are exposed to concentration risks. WOMAN has presence in the state of Tamil Nadu with concentration in districts of Pudukkottai (~46 percent) and Trichy (~32 percent) of total portfolio as on March 31, 2020. This exposes the society to high geographical concentration risk. Thus, the society's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the society will be exposed to any changes in the regulatory framework, thereby impacting credit profile of WOMAN.

The impact of Covid-19 may also impair the scalability of business operations, which has currently disrupted collections and disbursement processes, collection efficiency for the month of July stood at ~67 percent. Although WOMAN has demonstrated healthy asset quality in the past with low Gross Non-Performing Assets (GNPA) at 0.39 percent as on March 31, 2020, there could be a rise in delinquency due to impact of Covid-19 as the credit profiles of some of the borrowers may be impaired for a much longer time

Acuité believes that containing additional slippages while maintaining the growth in AUM will be crucial.

Rating Sensitivity

- Impact of natural calamities like Covid-19 on ongoing operations
- Movement in collection efficiency and asset quality

- Movement in liquidity buffers
- Movement in profitability metrics
- Changes in regulatory environment

Material Covenants

WOMAN is subject to covenants stipulated by its lenders/investors in respect of various parameters like asset quality among others. As per the confirmation received from client vide mail dated August 20, 2020. 'The society is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.'

Liquidity: Adequate

WOMAN's overall liquidity profile is adequate, with unencumbered cash and cash equivalents of Rs. 4.82 crore as on March 31, 2020. WOMAN's borrowings stood at ~Rs. 37.97 crore with a gearing of ~3.27 times as on March 31, 2020. The borrowings of WOMAN have maturity upto 60 months. As per WOMAN's ALM statement as on March 31, 2020, ~33 percent of its borrowings had maturity within a year. Its average lending tenure ranges ~15 to 24 months. The society has been able to raise funds from Banks and NBFC/FI's to around Rs. 7.00 crore over the past few months and is likely to receive additional funding in the form of term loans from banks.

Outlook: Stable

Acuité believes that WOMAN will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment. The outlook may be revised to 'Positive' in case of higher than expected growth in 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

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	49.95	39.09
Total Income*	Rs. Cr.	3.86	3.01
PAT	Rs. Cr.	0.39	0.37
Networth	Rs. Cr.	11.63	7.95
Return on Average Assets (RoAA)	(%)	0.88	1.13
Return on Net Worth (RoNW)	(%)	3.99	5.45
Total Debt/Tangible Net Worth (Gearing)	Times	3.27	3.90
Gross NPA's	(%)	0.39	0.67
Net NPA's	(%)	0.39	0.67

* Total income equals to Net interest income plus other income

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
29-May-2019	Term Loan	Long Term	10.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	1.04	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	6.17	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	3.28	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.42	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.22	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	3.05	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	0.46	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.57	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.78	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.01	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	29.00	ACUITE BBB-/Stable (Assigned)
28-April-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. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.04	ACUITE BBB- (Withdrawn)
Term Loan	15-Nov-2019	Not Applicable	15-Dec-2024	2.83	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.17	ACUITE BBB- (Withdrawn)
Term Loan	20-Aug-2018	Not Applicable	20-Nov-2021	1.42	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	19-Jul-2019	Not Applicable	05-Nov-2024	2.64	ACUITE BBB-/Stable (Assigned)
Term Loan	27-Dec-2017	Not Applicable	29-Mar-2021	0.17	ACUITE BBB-/Stable (Reaffirmed)

Term Loan	23-Nov-2018	Not Applicable	29-Mar-2022	1.65	ACUITE BBB-/Stable (Assigned)
Term Loan	14-Feb-2017	Not Applicable	01-Jun-2022	0.67	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	25-Sep-2018	Not Applicable	27-Dec-2023	1.88	ACUITE BBB-/Stable (Assigned)
Term Loan	19-Jul-2019	Not Applicable	23-Dec-2024	2.64	ACUITE BBB-/Stable (Assigned)
Term Loan	20-Sep-2017	Not Applicable	27-Dec-2021	0.45	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	29-Sep-2018	Not Applicable	29-May-2022	1.22	ACUITE BBB-/Stable (Assigned)
Term Loan	28-Jun-2019	Not Applicable	29-Apr-2023	2.49	ACUITE BBB-/Stable (Assigned)
Term Loan	06-Sep-2017	Not Applicable	01-Oct-2022	0.15	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	09-Aug-2019	Not Applicable	01-Dec-2022	0.90	ACUITE BBB-/Stable (Assigned)
Term Loan	16-May-2018	Not Applicable	25-Aug-2023	0.90	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	04-Oct-2018	Not Applicable	16-Dec-2021	1.07	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	24-Jul-2019	Not Applicable	21-Aug-2022	1.65	ACUITE BBB-/Stable (Assigned)
Term Loan	27-Aug-2018	Not Applicable	05-Aug-2024	1.63	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	14-Feb-2019	Not Applicable	19-May-2022	0.74	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	17-Jul-2019	Not Applicable	23-Jan-2025	2.77	ACUITE BBB-/Stable (Assigned)
Term Loan	06-Dec-2018	Not Applicable	11-May-2022	1.51	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	28-Jun-2019	Not Applicable	26-Oct-2023	2.69	ACUITE BBB-/Stable (Assigned)
Term Loan	21-Mar-2020	Not Applicable	24-Jun-2024	2.00	ACUITE BBB-/Stable (Assigned)
Term Loan	20-Feb-2020	Not Applicable	24-Aug-2023	2.00	ACUITE BBB-/Stable (Assigned)
Term Loan	20-Jan-2020	Not Applicable	13-Feb-2022	0.98	ACUITE BBB-/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.96	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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