

Press Release

Sarvam Charitable Trust

December 04, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned its '**ACUITE B**' (read as **ACUITE B**) rating to the Rs. 5.00 crore long-term bank facilities of Sarvam Charitable Trust (SCT). The outlook is '**Stable**'.

SCT, incorporated in 2015, is a Dindugal, Tamil Nadu based non-profit, non-banking financial institution registered under Trust Act, 1882. SCT primarily offers unsecured Income generation loans (IGL) under joint liability group (JLG) model and other financial products to the economically weaker section (EWS) women in Dindugal, Tamil Nadu. SCT is primarily focused on helping women to start small business/ skill women to get a job.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SCT to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters

SCT's management has professionals drawn from diverse fields. Mr. Ashok Velusamy, founder, has 14 years of experience with a micro finance company. Trust has 7 directors having experience across various fields.

Healthy Asset Quality:

Asset quality is healthy with gross non-performing assets (GNPA; on a 180+ days NPA recognition basis) ratio of NIL as on March 31, 2018. 30+ portfolio at risk (PAR) also remained low at 0.04 percent. Healthy asset quality is attributed to JLG model which reduces the risk of borrowers defaulting on their repayments.

Weaknesses

Small scale of operations:

The scale of operation is small. SCT had an outstanding loan portfolio of Rs. 2.60 Cr as on March 31, 2018 as against Rs. 1.35 Cr a year ago. Trust has funded its loan portfolio completely from non-interest bearing loan from Trustees of Rs. 2.60 Crores as on March 31, 2018 as against Rs. 1.35 Crores as on March 31, 2017. The small scale of operations is also impacting its earnings profile with negligible profit after tax of Rs.0.01 crore in 2017-18. Going forward, the ability of the trust to increase the scale of operations will remain a key monitorable.

Geographical concentration risk:

SCT operates mainly in the district of Dindigul, Tamil Nadu, where the customers are primarily self-employed micro-entrepreneurs (such as vegetable vendors, grocery store owners, tailors, milk vendors). The key risk originating from geographic concentration is that the cash flows of the borrowers are vulnerable to any political, economic, or social upheaval in the region and can adversely impact the company's credit risk profile. Geographic concentration would remain as key risk factor

Liquidity Position:

Currently, SCT's debt comprises of loans from Trustees which have no repayment schedule. The trust proposes to raise external debt for scaling up the loan book and, hence, its ability to manage the liquidity will remain a key monitorable, especially given the small scale of operations.

Outlook: Stable

Acuité believes that the SCT will maintain a 'Stable' outlook on account of experienced management team. The outlook may be revised to 'Positive' if there is an increasing in the scale of operations while maintaining healthy capital structure, asset quality and profitability. The outlook may be revised to 'Negative' if there is deterioration in asset quality or profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	2.61	1.35	0.52
Total Income (Net of Interest Expense)	Rs. Cr.	0.94	0.38	0.15
PAT	Rs. Cr.	0.01	0.00	0.00
Net Worth	Rs. Cr.	0.01	0.00	0.00
Return on Average Assets (RoAA)	(%)	0.38	0.33	0.46
Return on Average Net Worth (RoNW)	(%)	97.42	125.37	262.28
Total Debt/Tangible Net Worth	Times	226.41	340.80	569.26
GNPA	(%)	0.00	0.00	0.00
NNPA	(%)	0.00	0.00	0.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Non - Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-24.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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