

Press Release

People's Action For Transformation

September 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.50.00 crore bank facilities of PEOPLE'S ACTION FOR TRANSFORMATION (PAT). The outlook is '**Stable**'.

Tamil Nadu-based, PAT is a Non-governmental Organisation-Micro Finance Institution (NGO-MFI) registered with Indian Trust Act in 1997 and also a member of Sa-dhan, since 2007. It is promoted by Mr. Stephen Francis Xavier. The trust is engaged in micro financing activity directed to the benefit of women groups/individual for enhancement of their livelihoods. It commenced its micro finance operations in 2003 onwards; its operations are spread across six districts of Tamil Nadu as on March 31, 2019.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PAT to arrive at the rating.

Key Rating Drivers:

Strengths

• Established presence and experienced management:

PAT focuses on activities related to empowerment of women and training of self-help groups, apart from micro finance lending. The management of the trust has strong experience in the micro finance business and have been associated with various other micro-finance institutions over the past two decades. The managing committee comprises of members having more than two decades of experience in the field of microfinance, audit and finance and community development.

Acuite believes that PAT will benefit from its established track record of operations and experienced management.

• Sound asset quality:

PAT's credit assessment and monitoring processes have enabled the trust to maintain sound asset quality. The trust reported Gross Non-Performing Assets (GNPA) of 0.02 per cent as on March 31, 2019 and 0.01 per cent as on March 31, 2018. Further, it has demonstrated healthy collection efficiency with a track record of over ~99 per cent collection on an average for the twelve months ended March 31, 2019. Acuite expects PAT to benefit from its sound asset quality.

Weaknesses

• Constraints on Capital Infusion:

PAT is moderately capitalised with a modest corpus of Rs. 5.72 Cr as on March 31, 2019 and Rs. 4.22 Cr as on March 31, 2018, the growth in the trusts corpus was mainly due to accruals to its reserves. The trust's capital adequacy ratio stood at 18.98 per cent as on March 31, 2019 as against 14.31 per cent as on March 31, 2018. Due to the constitution of the trust, any future additions to the net worth will depend on receipt of additional corpus donations from its trustees or other organisations. PAT's gearing stood at 5.56 times as on March 31, 2019 as against 7.35 times as on March 31, 2018; the moderately high gearing further restricts the trust's ability to mobilise additional debt and thereby restricts its growth.

Acuite believes that PAT's ability to mobilise additional funds will be crucial to the growth of its loan portfolio.

• Scale of operations and geographic concentration risk:

PAT operates to a network of 12 branches across 6 districts of Tamil Nadu. The branch network of PAT declined from 20 branches as on March 31, 2018 to 12 branches as on March 31, 2019 on account of management's decision to earmark 8 branches for business correspondent (BC) activities which would be carried out in the group company PAFT Finance Ltd. PAT's operations are susceptible to the credit profile of its borrowers, who generally comprise the economically challenged section of society, since the credit profile of these borrowers are less resilient to credit risk. This is further heightened by the concentration of portfolio in a single state with focus in the north eastern coastal belt of Tamil Nadu, thereby the performance of the trust is exposed to competitive landscape in these regions and occurrence of events such as natural calamities, riots etc., which could cause a disruption in PAT's key area of operations.

Acuite believes that the geographical concentration in its portfolio will continue to weigh on its credit profile over the near to medium term.

Liquidity Position: Adequate

PAT has adequately matched cash flow as on March 31, 2019 with cumulative surplus all maturity buckets. Most of the loans are of upto 18-24 months' tenure, while its borrowings are with 24 to 36 months' maturity, leading to positive cashflows.

Outlook: Stable

Acuite believes that PAT will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain healthy AUM (on balance sheet assets and assets under BC model) and profitability metrics. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital structure.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	38.65	36.14	23.92
Total Income (Net of Interest Expense)	Rs. Cr.	7.11	5.78	3.60
PAT	Rs. Cr.	1.50	1.45	0.47
Net Worth	Rs. Cr.	5.72	4.22	2.76
Return on Average Assets (RoAA)	(%)	4.02	2.83	2.35
Return on Average Net Worth (RoNW)	(%)	30.22	41.59	16.99
Total Debt/Tangible Net Worth (Gearing)	Times	5.56	7.35	7.51
Gross NPAs	(%)	0.02	0.01	0.00
Net NPAs	(%)	NIL	NIL	NIL

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-17.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)

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
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.17	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.45	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.81	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.48	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.86	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.94	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.09	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE BB+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.88	ACUITE BB+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	21.82	ACUITE BB+/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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