

Press Release

BWDA Finance Limited

August 12, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	175.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	75.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs.175.00 Cr. bank facilities of BWDA Finance Limited (BFL). The outlook is '**Stable**'.

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs.75.00 Cr. bank facilities of BWDA Finance Limited (BFL). The outlook is '**Stable**'.

The rating continues to factor in the company's experienced management team and increased scale of operations. The company's AUM increased to Rs 198.23 Cr as on March 31, 2022 as compared to Rs 101.54 Cr as on March 31, 2021. The increase in AUM was on account of healthy disbursements in FY2022, with the total disbursements increasing to ~Rs 193 Cr. in FY2022 as compared to ~Rs 102 Cr. in FY2021. The AUM has further increased to Rs 242.67 Cr as on June 2022, on account of growth in the off-book portfolio. Off-book portfolio constitutes ~53 percent of the total AUM as on June 2022. The company reported sound asset quality with GNPA at 1.04 percent as on March 31, 2022 (Prov) as against 1.09 percent as on March 31, 2021.

The rating is, however, constrained by BFL's geographically concentrated portfolio with Tamil Nadu contributing ~89 percent of the overall AUM as on March 31, 2022. The rating also factors in relatively high leveraged capital structure with a gearing of 3.76 times as on March 31, 2022 (1.82 times as on March 31, 2021).

Acuite believes, going forward, the ability of the company to maintain comfortable capitalization levels along with stable asset quality in the light of continuously evolving economic scenario will be a key monitorable.

About the company

Incorporated in 2003, Tamil Nadu based BFL is a Non-banking financial institution- Micro finance institution (NBFC-MFI) engaged in providing financial services predominantly to women borrowers through Self Help Group (SHG) and Joint Liability Group (JLG) model. BFL is promoted by Mr. Joslin Thambi and is providing financing mainly for agriculture and allied

activities and micro business activities. The company reported AUM of Rs. 242.67 Cr. as on June 30, 2022. Of the total AUM, SHG and JLG loans constituted 80% and 10% respectively.

Analytical Approach

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

Key Rating Drivers

Strength

Established presence of promoters in the microfinance segment

BFL is promoted by Mr. Joslin Thambi, who has over three decades of experience in micro financing activities. Prior to this, he established BWDA society in 1985, which is engaged in forming groups of women members through Self Help Groups (SHGs) of bullock-cart workers families and training them to use their pooled savings for meeting their credit needs. BFL is supported by second line of management comprising professionals with an average experience of over two decades in BFSI sector. Further, strategic support is extended by its board having adequate representation of shareholders.

Acuité believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

Sound Asset Quality

BFL primarily focuses on lending to SHGs of women primarily in Tamil Nadu who are mainly engaged in income generating activities. The company has been able to maintain sound asset quality parameters since a significant portion of the company's lending is towards clients with repayment track record. The company reported sound asset quality with GNPA at 1.04 percent as of March 31, 2022 as against 1.09 percent as of March 2021. The dpd profile witnessed an improvement with the 90+ dpd improving to 1.70 percent as on March 31, 2022 as against 2.35 percent as on March 31, 2021. The on-time portfolio stood at 96.57 percent as on March 31, 2022.

Acuité believes that BFL's ability to maintain sound asset quality level in the near to medium term will be key monitorable.

Weakness

Modest Scale of operations; Geographical concentration risk

BFL commenced its operations in 2003 and currently operates through a network of 74 branches located in 22 districts across three states and two Union Territories, namely, Tamil Nadu, Pondicherry, Kerala, Karnataka and Andaman and Nicobar Islands.

Its Assets Under Management (AUM) stood at Rs. 242.67 Cr. as on June 30, 2022 as against Rs. 101.54 Cr. as on March 31, 2021. Of the total AUM of Rs. 242.67 Cr., on book portfolio comprised Rs. 113.44 Cr. (~47 percent) with the balance Rs. 129.23 Cr. (~53 percent) being off book portfolio. This growth in AUM in recent period is driven by management's decision to increase penetration in existing area of operations. Against this backdrop, the company has highly concentrated portfolio with Tamil Nadu alone contributing ~89 percent of the overall AUM as on March 31, 2022. Resultantly, the company's performance is expected to remain exposed to competitive landscape in these areas and occurrence of events such as natural calamities may adversely impact the credit profile of the borrowers.

Acuité believes that the company's modest scale of operations coupled with geographic concentration in the will continue to weigh on the company's credit profile over the near to medium term.

Susceptibility to risks inherent to microfinance segment

BFL primarily extends unsecured loans to economically challenged borrowers who have limited ability to absorb income shocks. Since financial assistance to economic challenged borrowers is a sensitive issue, from government stand point the regulatory dispensation in respect of the policies becomes relevant. Any changes in the regulatory environment impeding the ability of entities like BFL to enforce collections, etc will have an impact on its operational performance. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations.

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

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability and capitalisation buffers
- Changes in regulatory environment

Material Covenants

BFL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

BFL has well matched liquidity profile as on March 31, 2022 with no negative cumulative mismatches up to one year. BFL reported cash and cash equivalents of Rs. 17.11 Cr. as on June 30, 2022 (Prov). Further, its collection efficiency (scheduled collections vs. scheduled demand) stood at an average of 83 percent for 6 months ended June 2022.

Outlook - Stable

Acuité believes that BFL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality and liquidity levels. 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 and profitability metrics.

Key Financials - Standalone / Originator

Particulars	Unit	FY2022(Provisional)	FY2021
Total Assets	Rs. Cr.	154.85	87.19
Total Income (Net of Interest Expense)	Rs. Cr.	15.56	10.69
PAT	Rs. Cr.	1.27	0.51
Net Worth	Rs. Cr.	30.82	29.55
Return on Average Assets (RoAA)	(%)	1.05	0.73
Return on Average Net Worth (RoNW)	(%)	4.22	1.73
Total Debt/Tangible Net Worth (Gearing)	Times	3.76	1.82
Gross NPAs	(%)	1.04%	1.09%

Net NPAs	(%)	0.04%	0.00%
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Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 May 2021	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	54.25	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)

	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.75	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	40.00	ACUITE BBB- Stable (Assigned)
		Long		ACUITE BBB- Stable (Assigned)
12 Jun 2020	Term Loan	Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	120.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
26 Feb 2020	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	120.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	54.25	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.14	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE BBB- Stable Assigned
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	4.79	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	12.55	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	5.62	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	18.79	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	11.36	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	22.49	ACUITE BBB- Stable Reaffirmed
Ecclar Leasing & Finance Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB- Stable Reaffirmed
Ecclar Leasing & Finance Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB- Stable Reaffirmed
Jain Sons Finlease Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB- Stable

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Jain Sons Finlease Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB- Stable Reaffirmed
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.00	ACUITE BBB- Stable Reaffirmed
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.75	ACUITE BBB- Stable Reaffirmed
Western Capital Advisors Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	3.00	ACUITE BBB- Stable Reaffirmed
Ecclar Leasing & Finance Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.12	ACUITE BBB- Stable Reaffirmed
Usha Financial Services Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	0.18	ACUITE BBB- Stable Reaffirmed
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.22	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	8.41	ACUITE BBB- Stable Reaffirmed
Micro Units Development and Refinance Agency bank (MUDRA)	Not Applicable	Term Loan	Not available	Not available	Not available	0.45	ACUITE BBB- Stable Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.00	ACUITE BBB- Stable Reaffirmed
Ambit Finvest Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.50	ACUITE BBB- Stable Reaffirmed
Moneywise Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.69	ACUITE BBB- Stable Reaffirmed
Arohan Financial Services (P) Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.92	ACUITE BBB- Stable Reaffirmed
Union Bank of	Not	Term	Not	Not	Not	0.03	ACUITE BBB- Stable

India	Applicable	Loan	available	available	available		Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	3.32	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.09	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.33	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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