

## Press Release

BWDA Finance Limited

May 17, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	250.00	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	300.00	-	-

### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs.250.00 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.50.00 Cr. bank facilities of BWDA Finance Limited (BFL). The outlook is '**Stable**'.

#### Rationale for the rating

The rating continues to factor in the company's experienced management team and increased scale of operations. The company's AUM increased to Rs 388.76 Cr as on March 31, 2023 as compared to Rs 198.23 Cr as on March 31, 2022. The increase in AUM was on account of healthy disbursements in FY2023 with the total disbursements increasing to ~Rs 359 Cr. in FY2023 as compared to ~Rs 193 Cr. in FY2022. Further the increase in the loan book is largely towards the off-book portfolio. Off-book portfolio constitutes ~61 percent of the total AUM as on March 31, 2023.

The rating is, however, constrained by BFL's geographically concentrated portfolio with Tamil Nadu contributing 85.70 percent of the overall AUM as on March 31, 2023. The rating also factors in relatively high leveraged capital structure with a gearing of 4.14 times as on March 31, 2023(Provisional) (3.58 times as on March 31, 2022). The company reported moderation in asset quality with GNPA at 2.87 percent as on March 31, 2023(Prov) as against 1.04 percent as on March 31, 2022.

#### 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. 388.76 Cr. as on March 31, 2023.

## 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.

#### Significant AUM growth albeit moderation in asset quality

The company's loan portfolio outstanding as on March 31, 2023 grew significantly to Rs. 388.76 Cr as compared to Rs. 198.23 Cr as on March 31, 2022. BFL primarily focuses on lending to SHGs of women primarily in Tamil Nadu who are mainly engaged in income generating activities. The increase in AUM was on account of healthy disbursements in FY2023 with the total disbursements increasing to ~Rs 359 Cr. in FY2023 as compared to ~Rs 193 Cr. in FY2022. Further the increase in the loan book is largely towards the off-book portfolio. Off-book portfolio constitutes ~61 percent of the total AUM as on March 31, 2023.

The company has been able to maintain moderate asset quality parameters since a significant portion of the company's lending is towards clients with repayment track record. The company reported a moderation in asset quality with GNPA at 2.87 percent as of March 31, 2023 as against 1.04 percent as of March 2022. The on-time portfolio stood at 97.21 percent as on March 31, 2023.

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 85 branches located in 25 districts across four states and two Union Territories, namely, Tamil Nadu, Pondicherry, Kerala, Karnataka, Orissa and Andaman and Nicobar Islands. Its Assets Under Management (AUM) stood at Rs. 388.76 Cr. as on March 31, 2023 as against Rs. 198.23 Cr. as on March 31, 2022. Of the total AUM of Rs. 388.76 Cr., on book portfolio comprised Rs. 150.80 Cr. (~38.79 percent) with the balance Rs. 237.96 Cr. (~61.21 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 85.70 percent of the overall AUM as on March 31, 2023. 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.

### 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, 2023 with no negative cumulative mismatches up to one year. BFL reported cash and bank balance of Rs. 32.70 Cr. as on March 31, 2023 (Prov).

### 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.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Prov)	FY22 (Actual)
Total Assets	Rs. Cr.	197.32	149.08
Total Income*	Rs. Cr.	25.11	15.99
PAT	Rs. Cr.	4.27	1.23
Net Worth	Rs. Cr.	35.05	30.78
Return on Average Assets (RoAA)	(%)	2.46	1.04
Return on Average Net Worth (RoNW)	(%)	12.97	4.08
Debt/Equity	Times	4.14	3.58
Gross NPA	(%)	2.87	1.04
Net NPA	(%)	0.11	0.04

\*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**

- 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**

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Term Loan	Long Term	11.36	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	4.79	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	5.62	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	18.79	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	12.55	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.22	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.03	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.45	ACUITE BBB-   Stable (Reaffirmed)

12 Aug 2022	Term Loan	Long Term	0.09	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	8.41	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.92	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	0.69	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	75.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.75	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	54.25	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.18	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.32	ACUITE BBB-   Stable (Reaffirmed)
		Long		ACUITE BBB-   Stable
	Term Loan	Term	22.49	(Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	4.14	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	2.00	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	1.00	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	1.00	ACUITE BBB-   Stable (Reaffirmed)

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	2.50	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)
12 Jun 2020	Term Loan	Long 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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	54.25	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	4.14	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB-   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.67	ACUITE BBB-   Stable   Reaffirmed
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.92	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.55	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.75	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.52	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.73	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.93	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.12	ACUITE BBB-   Stable

								Reaffirmed
Electronica Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.58	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.43	ACUITE BBB-   Stable   Reaffirmed
Rar Fincare Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BBB-   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.17	ACUITE BBB-   Stable   Reaffirmed
Friends of WWB	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB-   Stable   Reaffirmed
Nabsamruddhi Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.04	ACUITE BBB-   Stable   Reaffirmed
Micro Units Development and Refinance Agency bank (MUDRA)	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.15	ACUITE BBB-   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.65	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.00	ACUITE BBB-   Stable   Assigned



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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