

CARE/KRO/RR/2015-16/1467

January 15, 2016

Mrs Nayana Mohanty,
CEO,
Swayamshree Mahila Samabaya Samiti Ltd.,
Bikash Nagar, Near Koustav Tower,
Arunodaya Market, Cuttack- 753 012 (Odisha)
District- Purnea,
Bihar-854301

Confidential

Dear Sir,

Credit rating of Swayamshree Mahila Samabaya Samiti Ltd. for Rs.1.0 crore

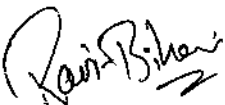
Please refer to our letters dated January 04, 2016 on the above subject.

2. The rationale for the ratings is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our monthly journal, 'CAREVIEW'.
3. A write-up (brief rationale) on the above ratings is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - II**.
4. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 16, 2016, we will proceed on the basis that you have no comments to offer.

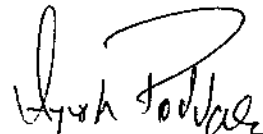
If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



(Ravi Bihani)
Analyst



(Ayush Poddar)
Manager

Encl: As above

CREDIT ANALYSIS & RESEARCH LTD.

Annexure I
Rating Rationale
Swayamshree Mahila Samabaya Samiti Ltd

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	1.0	CARE BB (Double B)	Assigned
Total Facilities	1.0 (Rs. One crore only)		

Rating Rationale

The rating assigned to the bank facilities of Swayamshree Mahila Samabaya Samiti Ltd. (SMSL) are constrained by small scale of operations, concentration of operations in Odisha, moderate financial profile marked with relatively low surplus levels, moderate risk management system through internal audit and IT infrastructure, competition from other players operating in MFI industry and regulatory and socio political risk inherent in the industry. The rating, however, draw strength from the experienced management, satisfactory capital adequacy ratio and comfortable asset quality.

The ability of SMSL to increase its scale of operations while maintaining asset quality, capital adequacy and profitability along with reducing its portfolio concentration risk are the key rating sensitivity.

Background

Swayamshree Mahila Samabaya Limited, a community based Microfinance organization, is an offshoot of SWAYAMSHREE which was a federation of women SHGs, established formally under the aegis of Department for International Development (DFID) aided Cuttack Urban Services improvement Project (CUSIP) project of Cuttack Municipal Corporation in the year 1998 with a view to providing financial services to urban poor slum dwellers. The credit demands of members are met out of funds deposited by members. Gradually the activity of the organisation expanded to the periphery of the city and other rural areas.

It is currently headed by Mrs Jyostna Mohanty, Preseident of SMSL and Mrs. Nayana Mohanty, CEO of SMSL.



¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

SMSL operates on Self Help group based individual lending model with each group comprising of 10-15 members group for SLGs. SMSL's major activities involve the formation and nurturing of groups and extending micro credit to individuals on successful completion of lending criteria.

Credit Risk Assessment

Experienced management

SMSL's board comprises of 15 members (13 independent directors) having experience in financial and rural developmental sector. The board is headed by Mrs. Jyostna Mohanty (aged around 36 years). She is the President of SMSL and has around seven years of experience in social & rural developmental activities. The operations and strategic growth of SMSL is headed by Mrs. Nayana Mohanty (CEO). She has more than two decades of experience in micro lending and social developmental activities. She is the driving force behind the day to day operation of SMSL and is well supported by qualified professionals having adequate exposure in micro financing & social developmental activities.

Moderate internal audit procedure with moderate IT infrastructure

SMSL has an in-house internal audit team consisting of two members and headed by Shri Ratnakar Bidhar. Internal audit of branches are conducted on a monthly basis and the report is submitted to CEO. The CEO then compiles the reports in order and presents them to the President.

SMSL has moderate IT infrastructure in place to support its scale of operation. SMSL has achieved computerization in 100% of branches and all the branches have shifted from excel based manual system to Oracle developed software – 'DELFIX NANO'. In addition to this, all Branch Managers are provided with mobile handsets. The daily demand collections are entered everyday and the same is updated in the software. The data sent from different branches gets reconciled at the head office on a regular basis.

Small scale of operations

SMSL commenced micro-financing operations as a co-operative society from November, 2006. Thus, it has a track record of around nine years. However, SMSL was providing microfinance services in the region under the Swayanshree since 1998. The operations of the company are concentrated entirely in the state of Odisha. Currently, SMSL has 62 employees (as on September 30, 2015), of which 37 are field officers spread across 3 branches.



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CIN-L67190MH1993PLC071691

Satisfactory CAR

CAR has been increasing on a continuous basis in the last 3 years (FY13-FY15) and it stood at 26.40% as on March 31, 2015 vis-à-vis 22.13% as on March 31, 2013. As on August 31, 2015, the CAR stood at 26.58%.

Year ended	Mar.31, 2013	Mar.31, 2014	Mar.31, 2015	August 31, 2015
Overall CAR (%)	22.13	24.61	26.40	26.58

Comfortable asset quality

SMSL has managed to keep its collection efficiency above 99% in the last three financial years despite turmoil in the domestic MFI sector. The average collection efficiency for SMSL has been consistently high. The portfolio at risk greater than 30 days (PAR>30 days) was also low at 0.14% as on March 31, 2013 which further decreased to 0.10% as on March 31, 2015. Further, the Gross NPA as on March 31, 2015 stood at Rs. 0.06 crore. Further, the company maintains conservative provisioning norms and as on Mar.31, 2015 has provided for Rs.0.22 crores of additional provisions as per the Odisha Co-operative society ACT, 1962.

Moderate financial profile marked with relatively low surplus levels

Total operating income of SMSL grew at a CAGR of 29.32% in between FY13-FY15, with an y-o-y growth of 24.43% in FY15 over FY14 on account of higher disbursement of loans through higher availability of funds from members saving along with increased net worth base. Interest spread remained in the range of 11.91%-12.66% from FY13-FY15. The interest spread improved in FY15 vis-à-vis FY14 and stood at 12.66% in FY15 vis-à-vis 11.91% in FY14 on account of access to funds at lower cost. However, the surplus levels continue to remain low.

Operating expense (excluding provision & write-off) / Avg. capital employed fell from 8.21% in FY13 to 6.69% in FY15 on account of increase in scale of operation and higher ticket size.

ROTA improved from 7.42% in FY13 to 9.01% in FY15.

Gross NPA improved and stood at 0.24% as on Mar 31, 2015 (vis-à-vis 0.94% as on Mar 31, 2013). PAR>30 & PAR>90 days has improved from 0.14% & 0.06% respectively as on March 31, 2013 to 0.10% & 0.02% respectively as on March 31, 2015.

Concentration of operation in Odisha

The entire operations of SMSL are limited to 3 districts of Odisha. The management has plans to expand its penetration further in two more districts in Odisha in future where financial inclusion percentage is very low.



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Competition from other players

SMSL faces stiff competition from large MFIs such as SKS Microfinance, Anapurna Microfinance. Further, it faces competition from other medium & small players also. However, as most of the borrowers of SMSL are repeat borrowers, it stands better than its competitors.

Financial Performance

(Rs. Cr)

Y.E/As on March 31	2013	2014	2015
	(12m, A)	(12m, A)	(12m, A)
Working Results			
Interest income	2.00	2.55	3.32
Other operating income	0.24	0.46	0.42
Total income	2.24	3.01	3.74
Interest expenses	0.43	0.56	0.65
Operating Expenses (Incl. Depreciation)	0.92	1.14	1.29
Surplus	0.89	1.30	1.81
Financial Position			
Tangible networkh	2.94	4.15	5.80
Total Borrowings	0.23	0.67	0.15
Total Loan Portfolio	13.29	16.87	21.74
Total Assets	13.52	17.84	22.25
Asset Under Management (AUM)	13.29	16.87	21.74
Key Ratios			
Profitability			
Net Interest Margin (NIM)	13.40	13.15	13.84
Return on total assets	7.42	8.31	9.01
Op. Exp. (before prov. & w/off) / Avg. CE (%)	8.04	7.53	6.59
Solvency			
Overall Gearing (times)	3.31	3.10	2.71
Capital Adequacy Ratio (CAR) (%)	22.13	24.61	26.40
Interest Coverage			
Asset Quality			
Gross NPA (%)	0.94	0.26	0.24
Collection Efficiency	99.93	99.97	99.98
Portfolio at Risk (PAR) > 30 days (%)	0.14	0.06	0.10
Portfolio at Risk (PAR) > 90 days (%)	0.06	0.03	0.02

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Details of Rated Facilities

Banker / lender	Type of facility	Tenure	Amount (Rs. crore)	Remarks
Proposed	Term loan	LT	1.0	-
Total			1.0	

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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Annexure II
Brief Rationale
CARE assigns 'CARE BB' rating to the bank facilities of
Swayamshree Mahila Samabaya Samiti Ltd

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SMSL operates on Self Help group based individual lending model with each group comprising of 10-15 members group for SLGs. SMSL's major activities involve the formation and nurturing of groups and extending micro credit to individuals on successful completion of lending criteria. In FY15, SMSL reported a surplus of Rs. 1.81 crore (FY14- Rs. 1.30 crore) on a total income of Rs. 3.32 crore (FY14- Rs. 2.55 crore).

Analyst Contact

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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