

DECEMBER 31, 2014

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF BANDHAN FINANCIAL SERVICES PVT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,000	CARE A+ (Single A Plus)	Reaffirmed
Total Facilities	1,000.0		

Rating Rationale

The rating continues to derive strength from the experienced promoter of Bandhan Financial Services Pvt Ltd (BFSPL), leadership position of the company in the MFI sector, strong operational set-up and governance framework aided by adequate IT infrastructure, diversified funding profile, adequate capitalisation level, comfortable liquidity and asset quality coupled with satisfactory financial risk profile. The rating is, however, constrained by the concentration of BFSPL's portfolio in West Bengal, competition from other players and regulatory risks and political risks inherent in the industry. The access to funding, evolving regulatory environment, the ability to maintain its profitability, asset quality and capital structure are the key rating sensitivities.

Background

BFSPL, a registered NBFC, is engaged in the business of lending to individual women borrowers under 'Group based individual lending' model and is operating in rural and urban areas across the country. BFSPL provides loans to the individual members of groups for undertaking various income generating activities. The company has been converted into a NBFC-MFI in September 2013.

As on September 30, 2014, BFSPL is operating in 246 districts spanning across 22 states and union territories of India. The operations of BFSPL are managed through its network of 2,018 branches and it has 58.89 lakh borrowers with total outstanding portfolio (including off book expos.) of Rs.6,668.2 crore as on September 30, 2014.

BFSPL is one of the two entities to be granted "in-principle" approval for banking license by Reserve Bank of India (RBI) on April 2, 2014. The company would be undergoing various changes in their operational framework to migrate from the NBFC-MFI operations to the banking operations. Accordingly, they have appointed Deloitte Touche Tohmatsu Ltd as a consultant to advise it on setting up banking operations.

BFSPL earned PAT (after deferred tax) of Rs.283.6 crore on the total income of Rs.1,212.8 crore in FY14 (refers to the period April 1 to March 31) as against Rs.208.5 crore on the total income of Rs.937.3 crore in FY13. CAR as on March 31, 2014, was satisfactory at 20.47%, as against the regulatory requirement of 15%. BFSPL's asset quality was very strong with standard assets forming approximately 99.93% of the outstanding loan assets as on March 31, 2014. Furthermore, in H1FY15, BFSPL earned PAT (after deferred tax) of Rs.183.9 crore on the total income of Rs.686.2 crore. CAR improved to 23.04%, as on September 30, 2014, and BFSPL's asset quality continued to remain strong with standard assets forming approximately 99.89% of the outstanding loan assets as on September 30, 2014.

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Mr. V. K. Chopra, who is an Independent Director on the board of Bandhan Financial Services Pvt. Ltd. is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

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

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