



Press Release

Magilchi Foundation

October 12, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 5.00 crore bank facilities of MAGILCHI FOUNDATION. The outlook is '**Stable**'.

MF, incorporated in 2012, is a Madurai, Tamil Nadu based non-profit, non-banking financial institution registered under The Indian Trust Act, 1882. MF primarily offers unsecured income generation loans (IGL) under joint liability group (JLG) model and other financial products to the economically weaker section (EWS) women in Madurai, Tamil Nadu. MF is a non-profit organization primarily focused on helping women to start small business/skilling women to get job.

Key Rating Drivers

Strengths

- **Experienced management**

MF's management comprises of professionals drawn from diverse fields. Mrs. Arunmeena, founder, has over one decade experience with an established micro finance company. Mr. V. Kesavan, Chairman, has over 15 years of experience in collection department in banks; he joined the trust in 2016 and helped in speedy recovery of loans during and post demonetization period.

- **Healthy asset quality**

Asset quality is healthy with gross non-performing assets (GNPA; on a 180+ days recognition basis) ratio of 0.08 percent as on March 31, 2018 (NIL GNPA as on March 31, 2017). Healthy asset quality is attributed to JLG model which reduces the risk of borrowers defaulting on their repayments.

Weaknesses

- **Small scale of operations**

The scale of operation is small. MF reported an outstanding loan portfolio of Rs. 1.40 Cr as on March 31, 2018 as against Rs. 1.25 Cr a year ago. The small scale of operations is also impacting its earnings profile with negligible profit after tax of Rs.0.05 crore in 2017-18. Going forward ability of the trust is to expand the scale of operations will remain a key monitorable.

Analytical Approach

ACUITE has considered the standalone business and financial risk profile of Magilchi Foundation to arrive at the rating.

Outlook: Stable

Acuité believes that MF will maintain a 'Stable' outlook on account of the benefits derived from the experienced management team. The outlook may be revised to 'Positive' if there is increase in the scale of operations while maintaining healthy asset quality and capital structure. The outlook may be revised to 'Negative' if there is capital withdrawal resulting in deterioration in financial risk profile or deterioration in its asset quality.

About the Rated Entity - Key Financials

	Unit	FY18	FY17	FY16
Total Assets	Rs. Cr.	1.60	1.28	0.81
Total Income (Net of Interest Expense)	Rs. Cr.	0.33	0.23	0.12
PAT	Rs. Cr.	0.05	0.04	0.04
Net Worth	Rs. Cr.	0.36	0.30	0.23
Return on Average Assets (RoAA)	(%)	3.74	4.05	6.91
Return on Average Net Worth (RoNW)	(%)	16.15	15.87	24.78
Total Debt/Tangible Net Worth (Gearing)	Times	3.41	3.18	2.49
Gross NPAs	(%)	0.08	0	0
Net NPAs	(%)	0.08	0	0

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Non - [Banking Financing Entities - https://www.acuite.in/view-rating-criteria-10.htm](https://www.acuite.in/view-rating-criteria-10.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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable

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About Acuité Ratings & Research:

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