



Press Release
Mahasemam Trust
March 04, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	104.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	176.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	280.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs.104.00 Cr. bank facilities of Mahasemam Trust (MT). The outlook is 'Stable'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs. 176.00 Cr. bank facilities of Mahasemam Trust (MT). The outlook remains 'Stable'.

Rationale for the rating

The rating continues to take into account the trust's experienced management team, sound asset quality and healthy earnings. MT's AUM increased to Rs. 202.08 Cr. as on March 31, 2023 as compared to Rs.176.57 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.282.72 Cr. in FY2022. The AUM further improved to Rs.278.95 Cr as on December 31, 2023 (Prov.) The trust reported sound asset quality with GNPA at 0.01 percent as on March 31, 2023 as against 0.04 percent as on March 31, 2022. The rating is, however, constrained by MT's geographically concentrated portfolio with a single state presence in Tamil Nadu, further the top 5 districts contribute more than 60 percent of the AUM as on December 31, 2023. The rating also factors in moderately leveraged capital structure with a gearing of 4.05 times as on March 31, 2023. Acuite takes cognizance of the trust's limited access to credit bureaus and being an unregulated non- profit entity, it's limitations of capital raising ability.

About the company

Mahasemam Trust (MT), incorporated in 1999, is a Madurai, Tamil Nadu-based trust engaged in microfinance activities. The trust is promoted by Dr.N.Sethuraman. The trust provides personal unsecured loans to its members across Tamil Nadu. MT follows a group based individual (JLG) lending methodology. Its borrowers primarily consist of artisans, MSME's and entrepreneurs both in rural and urban areas. The borrowers are organised in groups of 5-10 and each woman takes joint liability for other group members.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone approach to arrive at the rating of Mahasemam Trust.

Key Rating Drivers

Strength

Experienced Management Team

Dr. N Sethuraman, President and Trustee of Mahasemam Trust, has over 2 decades of experience in the microfinance sector and has a strong understanding of the local markets and customer segments in Tamil Nadu. Dr. Sethuraman has an established track record in the NBFC-MFI space, after initially commencing the microfinance activities with MT, he set up a Press Release MAHASEMAM TRUST Rating Assigned and Reaffirmed NBFC-MFI named S.M.I.L.E Microfinance Limited. However presently MT and S.M.I.L.E function independently of each other. Dr. Sethuraman is supported by six trustees on board of trustees and the trust is presently run by Mr. Chandravel Rajan, CEO who is supported by Ms. Aseena Begum to manage day to day operations. Over the years, Mahasemam Trust has successfully expanded its operation to 81 branches spread across 15 districts in Tamil Nadu. The trust's borrowings increased from Rs 172.55 Cr as on March 31, 2022 to Rs.207.14 Cr as on March 31, 2023. The AUM stood at Rs 278.95 Cr as on December 31, 2023 (Prov.) as against Rs.204.14 Cr. as on March 31, 2023 and Rs.176.57 Cr as on March 31, 2022. Acuité believes that the company's growth prospects will be supported by the promoters experience in the industry.

Adequate financial risk profile with diversified funding mix

MT's networth stood at ~Rs.51.11 Cr. as on March 31, 2023 and reported a capital adequacy ratio (CAR) of 25.04 percent. The trust has been reporting profits over the past years, the trust reported a PAT of Rs.7.81 Cr during FY2023 improving from Rs.6.12 Cr. during FY2022. Although the PAT levels and interest income witnessed growth in FY2023 along with operational improvement; the NIM of the trust witnessed decline year on year. For 9MFY24, the PAT stood at Rs.4.52 Cr(Prov.) Consequently RoAA stood at similar levels as compared to FY22; at 3.25% for FY2023 and 3.24% for FY2022. The trust has a strong lender profile comprising majorly public sector banks. MT has demonstrated access to funding from public sector banks and has been able to obtain disbursements of ~Rs.205 Cr for 9MFY24 in the form of Term loans. Acuité believes, going forward, the ability of the company to mobilize low cost funding through debt to deploy the funds profitably will be a key rating monitorable.

Weakness

Geographical Concentration Risk

Mahasemam Trust's operations are entirely based in Tamil Nadu, spread across 15 districts. And the top 5 districts account for more than 60 percent of the total AUM as on Dec 31, 2023. This exposes the trust to high geographic concentration risk. The trust's performance is expected to remain exposed to competitive or political landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the trust will be exposed to competition and any changes in the regulatory framework thereby impacting credit profile of Mahasemam Trust. Acuité believes that geographic concentration in its portfolio coupled with the inherent risk in microfinance segment will continue to weigh on the trust's credit profile over the near to medium term.

Risk inherent in the business model; limited access to capital & credit bureaus

Mahasemam Trust (MT) is a Madurai, Tamil Nadu-based trust engaged in microfinance activities. The trust provides personal unsecured loans to its members across Tamil Nadu. MT, being an unregulated non-profit entity, has substantial limitations in terms of equity raising capabilities, any additional capital required is met by the trustees and the internal accruals of the trust. MT operates on a trust model, and therefore, cannot enlist its borrowers to credit bureaus, which enhances the risk of the borrowing profile. As per management discussion, to mitigate these risks the trust has an arrangement with an NBFC-MFI through which they access the microcredit report of their borrowers. The trust pays a nominal fees for obtaining the reports to the NBFC.

Acuité believes that the trusts might face challenges to scale up their operations or expand into newer geographies due to its inability to access credit bureaus and its limited access to capital raising could remain a key monitorable.

Rating Sensitivity

- Movement in capital structure and gearing levels
- Movement in asset quality and profitability metrics
- Changes in regulatory environment
- Movement in liquidity buffers

Liquidity Position

Adequate

The trust has cash and bank balance of Rs.80.91 Cr as on December 31, 2023 (Prov). The company has positive cumulative mismatches across time buckets as per ALM as on December 31, 2023.

Outlook : Stable

Acuité believes that MT will benefit from its experienced promoters and management team and comfortable capitalisation buffers. The outlook may be revised to 'Positive' if there is significantly higher than expected growth in AUM while maintaining asset quality and improving profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in asset quality, profitability parameters or case of challenges faced in raising fresh capital shall lead to a negative rating bias.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23	FY22
		(Actual)	(Actual)
Total Income*	Rs. Cr.	33.36	28.2
PAT	Rs. Cr.	7.81	6.12
Net Worth	Rs. Cr.	51.11	43.3
Return on Average Assets (RoAA)	(%)	3.25	3.24
Return on Average Net Worth (RoNW)	(%)	16.55	15.22
Debt/Equity	Times	4.05	3.99
Gross NPA (Owned portfolio)	(%)	0.02	0.07
Net NPA (Owned portfolio)	(%)	0.02	0.07

*Total Income equals Net Interest Income plus other income

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

Not Applicable

Any other information

None

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. Acuité'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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Dec 2022	Term Loan	Long Term	19.79	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.37	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.88	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.02	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.07	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.74	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.10	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.05	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.80	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.70	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.03	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.22	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.72	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.29	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	14.61	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	25.98	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	49.95	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.70	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.48	ACUITE BBB- Stable (Assigned)
21 Sep 2022	Term Loan	Long Term	23.53	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	22.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.37	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.10	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 avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.04	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.04	ACUITE BBB- Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	24 Mar 2022	Not avl. / Not appl.	30 Mar 2025	Simple	4.17	ACUITE BBB- Stable Reaffirmed
Tamil Nadu Mercantile Bank	Not avl. / Not appl.	Term Loan	29 Oct 2022	Not avl. / Not appl.	29 Oct 2025	Simple	2.77	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	08 Mar 2022	Not avl. / Not appl.	07 Mar 2025	Simple	9.03	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Aug 2022	Not avl. / Not appl.	30 Aug 2025	Simple	14.81	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	26 Aug 2022	Not avl. / Not appl.	15 Jun 2025	Simple	26.52	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	Simple	23.29	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2026	Simple	7.80	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Dec 2025	Simple	7.73	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	Simple	10.91	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	30 Jan 2023	Not avl. / Not appl.	30 Jan 2026	Simple	15.79	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	10 Aug 2023	Not avl. / Not appl.	10 Aug 2026	Simple	4.20	ACUITE BBB- Stable Reaffirmed

HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	11 Oct 2023	Not avl. / Not appl.	11 Apr 2025	Simple	20.64	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	17 Nov 2021	Not avl. / Not appl.	30 Nov 2024	Simple	5.99	ACUITE BBB- Stable Reaffirmed
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	9.31	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	Simple	89.63	ACUITE BBB- Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	30 Jun 2023	Not avl. / Not appl.	30 Jan 2026	Simple	12.33	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Soham Vaidya Analyst-Rating Operations Tel: 022-49294065 soham.vaidya@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.