



Press Release
Mahasemam Trust
October 08, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	280.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	380.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B Minus**) on the Rs.100.00 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. 280.00 Cr. bank facilities of Mahasemam Trust (MT). The outlook remains ‘**Stable**’.

Rationale for 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. 292.22 Cr. as on March 31, 2024 as compared to Rs.205.16 Cr. as on March 31, 2023. The increase in AUM was on account of healthy disbursements in FY2024, with the total disbursements increasing to ~Rs.488 Cr. in FY2024 as compared to ~Rs.359 Cr. in FY2023. The trust reported asset quality with GNPA at 0.05 percent as on March 31, 2024 as against 0.01 percent as on March 31, 2023. The rating is, however, constrained by MT’s geographically concentrated portfolio with a single state presence in Tamil Nadu. The rating also factors in moderately leveraged capital structure with a gearing of 4.71 times as on March 31, 2024. 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 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 86 branches spread across 17 districts in Tamil Nadu. The AUM stood at Rs 292.22 Cr. as on March 31, 2024 as against Rs.205.16 Cr. as on March 31, 2023. 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.62.34 Cr. as on March 31, 2024 and reported a capital adequacy ratio (CAR) of 18.17 percent. The trust has been reporting profits over the past years, the trust reported a PAT of Rs.11.23 Cr. during FY2024 improving from Rs.7.81 Cr. during FY2023. The PAT levels and interest income witnessed growth in FY2024 along with operational improvement. Consequently RoAA stood at 3.60% for FY2024 as compared to 3.25% for FY2023. 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.488 Cr. for FY24 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 17 districts. 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.

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.49.12 Cr. as on March 31, 2024. The company has positive cumulative mismatches across time buckets as per ALM as on March 31, 2024.

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	FY24	FY23
		(Actual)	(Actual)
Total Assets	Rs. Cr.	361.23	262.71
Total Income*	Rs. Cr.	44.50	33.36
PAT	Rs. Cr.	11.23	7.81

Net Worth	Rs. Cr.	62.34	51.11
Return on Average Assets (RoAA)	(%)	3.60	3.25
Return on Average Net Worth (RoNW)	(%)	19.80	16.55
Debt/Equity	Times	4.71	4.05
Gross NPA	(%)	0.05	0.01
Net NPA	(%)	0.05	0.01

*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, Acuite 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2024	Proposed Long Term Loan	Long Term	13.04	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	14.81	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	7.73	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.03	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	23.29	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.64	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.33	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	5.99	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.04	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.17	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	26.52	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	15.79	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	7.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.31	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.77	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.20	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	89.63	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.91	ACUITE BBB- Stable (Reaffirmed)
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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.30	Simple	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.	2.04	Simple	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.	100.00	Simple	ACUITE BBB- Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	24 Mar 2022	Not avl. / Not appl.	30 Mar 2025	2.03	Simple	ACUITE BBB- Stable Reaffirmed
Tamil Nadu Mercantile Bank	Not avl. / Not appl.	Term Loan	29 Oct 2022	Not avl. / Not appl.	29 Oct 2025	1.64	Simple	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	28 Aug 2024	Not avl. / Not appl.	30 Sep 2027	15.00	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	15 Feb 2024	Not avl. / Not appl.	15 Feb 2027	7.96	Simple	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	29 Jul 2024	Not avl. / Not appl.	26 Aug 2027	15.00	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	08 Mar 2022	Not avl. / Not appl.	07 Mar 2025	4.47	Simple	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Aug 2022	Not avl. / Not appl.	30 Aug 2025	9.43	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	26 Aug 2022	Not avl. / Not appl.	15 Jun 2025	15.72	Simple	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	17.51	Simple	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	15 Dec 2023	Not avl. / Not appl.	15 Dec 2026	5.52	Simple	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	31 Dec 2022	Not avl. / Not appl.	30 Dec 2025	5.42	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	7.62	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	30 Jan 2023	Not avl. / Not appl.	30 Jan 2026	7.37	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	10 Aug 2023	Not avl. / Not appl.	10 Aug 2026	3.06	Simple	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	11 Oct 2023	Not avl. / Not appl.	11 Apr 2025	11.11	Simple	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	17 Nov 2021	Not avl. / Not appl.	30 Nov 2024	2.40	Simple	ACUITE BBB- Stable Reaffirmed

UCO Bank	Not avl. / Not appl.	Term Loan	30 Nov 2023	Not avl. / Not appl.	30 Nov 2026	6.78	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2026	69.61	Simple	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	30 Jun 2023	Not avl. / Not appl.	30 Jan 2026	10.01	Simple	ACUITE BBB- Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Nattasha Venkatesh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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