



## Madura Micro Finance Limited

Instrument	Amount in Rs. crore	Rating
Long term bank facilities	225.00	[ICRA]BBB(Stable); upgraded from [ICRA]BBB-(Positive);
Non Convertible Debentures	40.00	[ICRA]BBB(Stable); upgraded from [ICRA]BBB-(Positive);
Non Convertible Debentures	36.60	[ICRA]BBB(Stable); assigned

ICRA has upgraded the rating of the Rs. 225.00 crore\* long term bank facilities and Rs. 40.00 crore Non-Convertible Debenture (NCD) Programme of Madura Micro Finance Limited (MMFL/ the company") from **ICRA]BBB- (pronounced ICRA triple B minus)** to **ICRA]BBB (pronounced ICRA triple B)**†. The outlook on the rating has been revised from Positive to **Stable**. ICRA has also assigned the **[ICRA]BBB (pronounced ICRA triple B)** rating with a stable outlook to the Rs. 36.60 crore Non-Convertible Debentures (NCDs) programme of the company.

The revision in rating factors in the company's initiatives to grow its portfolio and achieve geographical diversification; Karnataka and Maharashtra account for about 5% of the loan book as on March 2015, while maintaining a stable asset quality (0+dpd of 0.6% in June 2015 vis a vis 0.8% in December 2014) and good profitability indicators (PAT/ATA of 4.3% in FY2015). The rating revision also takes note of the efforts to improve the internal controls and monitoring processes, which is critical as the company expands to new geographies. The growth in MMFL's loan book (63% YoY from Rs. 227 crore in Mar 2014 to Rs. 370 crore in March 2015) was supported by an improvement in financial flexibility of the company as the lender base increased from 18 in September 2014 to 25 in March 2015 and as the company diversified its funding base. MMFL is adequately capitalized with net worth of about Rs. 87 crore with a gearing of 3.6 times as on March 2015. The company is expected to grow at a CAGR of 30-35% over the next three years and thus would need to raise additional equity capital of around Rs. 40-50 crore (around 50-60% of present networth) over this period and tie-up with diverse funding sources to meet its growth plans. Maintaining the capitalization at comfortable levels and achieving a more diversified funding mix as the business expands, would be important rating considerations. The rating also take in consideration the risks associated with the unsecured lending business, political risks and, operational risks arising out of cash handling. Access to credit bureaus and regulatory ceiling on borrower indebtedness has reduced concerns on overleveraging and multiple lending, which acts as a mitigant.

As for earnings profile, MMFL's NIM moderated from 14.6% to 13.1% as the gearing increased to 3.6 times in March 2015 as compared to 2.4 times in March 2014. However, the reduction in the credit costs (from 1.1% in FY2014 to 0.8% in FY2015) and operating expenses (from 6.3% in FY2014 to 5.8% in FY2015) supported the overall profitability, as the company reported a good RoA of 4.3% for FY2015. Going forward, ICRA expects the company's overall credit cost to moderate and stabilize at about 0.6-0.7% levels as incremental write-offs are expected to be lower than observed in the past, supported by good average collections. The company is in an expansionary phase, both in terms of business and geography and, the operating cost indicators are expected to increase from the current levels but are expected to be below 7.0% The Company reported an RoE of 18.4% for FY2015. Going forward, ICRA expects the company to maintain a RoE of about 16-17% supported by moderation in the overall credit cost although the operating cost could witness some increase.

\* 100 lakh = 1 crore = 10 million

† For detailed rating definition, visit ICRA's website



### Company Profile

Madura Micro Finance Limited (MMFL) is a non-banking finance company (NBFC) established in 2005 and started operations in early 2006. MMFL obtained a NBFC-MFI license in November 2013. The CMD of the company, Dr. Tara Thiagarajan has about 48% equity stake in MMFL, while the MFI-focused private equity investor – Elevar Equity – holds about 22% stake. MMFL is engaged in providing credit to economically backward women through the Self Help Group (SHG) mechanism. MMFL had a loan portfolio of Rs. 390 crore in June 2015. As in June 2015, MMFL had presence in 37 districts in the states of Tamil Nadu, Karnataka and Maharashtra across 222 branches and has over 3.36 lakh members.

### Shareholding Pattern as of March 31, 2015

Name of the Shareholder	Shareholding (%)
Ms. Tara Thiagarajan	48.05%
Mr. M. Narayanan	6.12%
Mr. Marti Subramaniam	5.40%
Mr. Ashok Mirza	3.60%
Mr. M.R. Ramaraj	1.80%
Employees' Welfare Trust	9.07%
Employees	2.43%
Elevar Unitus Trust	21.73%
<b>Total</b>	<b>100.00%</b>

Source: Company

For the year ended March 31, 2015, MMFL reported a net profit of Rs. 14.6 crore on a total asset base of Rs.431.5 crore compared to Rs. 10.9 crore net profits on an asset base of Rs. 262.8 crore in FY2014.

**August 2015**

*For further details please contact:*

Analyst Contacts:

**Ms. Vibha Batra**, (Tel. No. +91-124-4545 302)

vibha@icraindia.com

Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)

jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500