

December 06, 2019

## Madura Micro Finance Limited: Rating placed on Watch with Positive Implications

### Summary of Rated Instrument

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Subordinated Debentures	50.00	50.00	[ICRA]BBB+%; placed on Watch with Positive Implications
Long-term Loans from Banks	300.00	300.00	[ICRA]BBB+%; placed on Watch with Positive Implications
Non-convertible Debentures	36.60	36.60	[ICRA]BBB+%; placed on Watch with Positive Implications
<b>Total</b>	<b>386.60</b>	<b>386.60</b>	

### Material Event

On November 27, 2019, Madura Micro Finance Limited (MMFL) announced that its board has approved the acquisition of 76.2% of its share capital by CreditAccess Grameen Limited (CAGL; rated [ICRA]A+(Stable)/[ICRA]A1+) and its subsequent merger with CAGL through an approved scheme of arrangement. The acquisition and the merger process are pending various approvals including shareholder, statutory and other regulatory requirements/approvals.

ICRA notes that in the first leg, CAGL will acquire a stake of up to 76.2% in MMFL from its existing shareholders (Dr. Tara Thiagarajan, A V Thomas & Co. Limited, Midland Rubber & Produce Co. Ltd, Elevar Equity Mauritius and some minority shareholders) for a cash consideration of Rs. 666.4 crore. Following the acquisition, MMFL's board is expected to be reconstituted.

In the second leg, MMFL would be merged with CAGL through an approved scheme of arrangement. As a consideration for the merger, the residual shareholders of MMFL would be allotted 158 shares of CAGL for every 100 shares of MMFL. MMFL's promoter, Dr. Tara Thiagarajan, would act as an advisor to CAGL's board of directors after the merger.

### Impact of the Material Event

ICRA has taken note of the above-mentioned event and believes that the successful completion of the acquisition of the majority shares of MMFL by CAGL would uplift MMFL's risk profile as it would have a stronger parent in the form of CAGL. Hence, ICRA has placed MMFL's long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) on 'watch with positive implications'. ICRA will continue to monitor MMFL's business and financial performance and the developments with respect to the completion of the majority stake acquisition by CAGL and the benefits that MMFL may derive from CAGL till it merges with CAGL.

The previous detailed rating rationale is available on the following link: [Click here](#)

### Key financial indicators (as per IGAAP)

<b>MMFL (audited)</b>	<b>FY2018</b>	<b>FY2019</b>
Total Income	229.9	372.5
Profit after Tax	39.8	80.5
Net Worth	240.5	321.0
Managed Portfolio	1,184.2	1,956.9
Total Managed Assets	1,217.9	1,993.1
Return on Managed Assets %	3.7%	4.7%
Return on Net Worth %	19.1%	28.7%
Gearing (times)	3.9	5.4
Gross NPA%	0.5%	0.9%
Net NPA%	(0.5%)	(0.1%)
CRAR%	25.70%	19.45%

Source: MMFL and ICRA research; Amount in Rs. crore

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