



19-07-2023

The BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street, Mumbai-400 001
Dear Sir,

Sub: Reaffirming of Credit rating on Long-term bank facilities and outstanding Public Issue of NCD's rated by India Ratings & Research after annual review.

As per press release made on the late evening of 18th July, 2023 India Ratings & Research has reaffirmed Credit Ratings as IND A-/Stable for our Long-term bank facilities and outstanding Non-convertible debentures rated by India Ratings & Research.

Details tabled below.

Details of Credit Rating									
Current Rating details									
Sr No	ISIN	Name of the Credit Rating Agency	Credit Rating Assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Reaffirm/ Other)	Specify other rating action	Date of Credit Rating	Verification Status of Credit Rating Agencies	Date of Verification
1	INE101Q07391	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
2	INE101Q07409	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
3	INE101Q07755	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
4	INE101Q07763	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
5	INE101Q07771	India Ratings and Research Private	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023

Registered & Corporate Office

65/623 K, Muthoottu Royal Towers,
Kaloor, Kochi, Ernakulam, Kerala- 682017, India
Tel: +91484 2912100, E-mail:info@muthoottumini.com

CIN: U65910KL1998PLC012154

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		Limited							
---	INE101Q07789	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07821	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07839	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07847	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07854	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07896	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q07904	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
---	INE101Q08118	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
14	INE101Q08126	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
15	INE101Q07946	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
16	INE101Q07953	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
17	INE101Q08134	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023
18	INE101Q08142	India Ratings and Research Private Limited	IND A-/Stable	Stable	Reaffirm	---	18-07-2023	Verified	18-07-2023

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Muthoottu
Mini Financiers Ltd

Copy of the press release is appended.

Kindly take the same on record.

Yours Faithfully

For Muthoottu Mini Financiers Limited

MATHEW

MUTHOOTTU

Digitally signed by
MATHEW MUTHOOTTU
Date: 2023.07.19
16:23:07 +05'30'

Mathew Muthoottu

Managing Director

DIN: 01786534

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India Ratings Affirms Muthoottu Mini Financiers' NCDs and Bank Loans at 'IND A-/Stable'

Jul 18, 2023 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has affirmed Muthoottu Mini Financiers Limited's (MMFL) debt instrument ratings as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs*)	-	-	-	INR7,332.5 (reduced from INR9,346.6)	IND A-/Stable	Affirmed
Bank loans	-	-	-	INR15,000	IND A-/Stable	Affirmed

*Details in Annexure

Key Rating Drivers

Consistent Growth in Scale of Operations: MMFL's assets under management grew 30.6% yoy to INR32.6 billion at FYE23 (FYE22: up 25.3% yoy; FYE21: 17.9% yoy), leading to the assets under management (AUM) per branch for gold loans increasing to INR35.4 million (INR29.8 million; INR24 million). The growth in the AUM also led to a rise in the leverage to 5.15x in FY23 (FY22: 4.8x; FY21:3.7x). MMFL has over two decades of experience in the gold finance business in the highly competitive markets of Kerala and Tamil Nadu. The company has managed multiple cycles in this business through which it has seen several wide fluctuations in gold prices. Furthermore, MMFL's branch network has improved over the last few years (FY23:861; FY22: 814; FY21: 807). The company is penetrating deeper into the southern states and plans to expand its branch network in the western and northern states of India. The management plans to further expand the branch network to around 900 in FY24. MMFL has also been focusing on increasing its branch productivity and deriving more business from the existing network. Ind-Ra opines that this would lead to improved branch profitability and AUM growth.

Steady Profitability: MMFL's return on assets (as per Ind-Ra's calculations) improved to 1.90% in FY23 (FY22: 1.61%; FY21: 1.41%), supported by the growth in AUM and control over credit costs. MMFL's opex to average AUM increased to 6.30% in FY23 (FY22: 6.23%; FY21: 6.48%) due to the addition of branches during the year; however, there is significant room for improvement in productivity. MMFL has increased the proportion of bank funding to bolster its margins. Its operating profit buffers have been stable due to benign credit costs. Also, MMFL has a sound track record in the recovery of gold loans through auctions; in FY23, it realised a surplus of 31.7% over outstanding principal (FY22: 22.6%; FY21: 27.1%). MMFL's blending funding cost (as per Ind-Ra's calculations) reduced to 9.68% in FY23 (FY22: 9.88%; FY21: 11.89%) due to the redemption of high-interest NCDs. However, gold loan non-banking financial companies (NBFCs) have

been facing stiff competition from banks, which, to a certain extent, has constrained the former's ability to increase lending rates. Ind-Ra opines that the future trajectory of profitability would be contingent upon improved productivity, and the company's ability to maintain margins and manage credit cost.

Stable Asset Quality: The gold loan segment displayed considerable resilience in the face of the COVID-19-related disruptions and has been reporting a stable asset quality. MMFL's gross non-performing assets (NPAs) was decreased to 0.43% in FY23 (FY22: 0.61%; FY21: 0.86%). Although the borrower class is vulnerable, the ultimate credit loss is capped due to the loan-to-value being capped at 75% at the time of disbursement and the liquid nature of the collateral. Being in the gold loan business, MMFL's credit cost has always been modest and less volatile through the cycle, leading to better operating profit buffers. Given the strengthening in gold prices in FY23, MMFL has shifted its focus towards loans with a duration of up to six-to-nine months and nine-to-twelve months compared to last year, when the company had been focussing on loans that were for a shorter period of three-to-six and six-to-nine months. The long tenure of the loans exposes the company to gold price fluctuations, which could have an impact on its credit cost, if not managed properly. MMFL maintains a risk filter, wherein a resolution is initiated if the principal-plus-interest reaches 95% of the loan-to-value, leading to the closing of the loan by the borrower, or in case of a delay, conducting of auctions after providing an intimation about the same to the borrower. In FY23 the auctions fell to INR612 million (FY22: INR1,809 million; FY21: INR473.7 million) due to an increase in gold prices. The company did not witness any losses in the auctions during the year.

Ongoing Diversification of Funding Mix: MMFL witnessed an improvement in its lending relationships in FY23, as the total number of banks and NBFCs providing funding to MMFL increased to 26 (24 banks and two NBFCs) from only 16 banks in FY22. The company has been able to raise funds from a mix of both public and private sector banks. However, the share of funds mobilised through the NCD route in the overall funding mix reduced to 52% in FY23 (FY22: 71%; FY21: 81%); bank funding through working capital (FY23: 25%; FY22: 19%; FY21: 12%) and term loans (22%, 10% and 6%) constituted the balance. The new banks and NBFCs accounted for 24% of the total outstanding borrowing in FYE23, of which 6% was in the form of cash credit or working capital demand loan and the remaining 18% was in the form of term loan. A sustained and substantial increase in the exposure taken by banks over the medium term will be a key monitorable.

Liquidity Indicator - Adequate: As per the structural liquidity statement dated 31 March 2023, there was adequate surplus in each of the buckets, typically because of shorter tenor loans of six-to-twelve months on the asset side and long liability tenor of average three years. At end-March 2023, MMFL had unencumbered cash of INR401 million and unutilised bank lines of INR76.50 million, which along with steady inflows of loan receivables of INR4,654 million for the next three months provide adequate cover for the scheduled debt repayments. The total amount of debt maturing during April-June 2023 stood at INR1,452 million. In addition to the surplus asset-liability mismatch, the liquid nature of the underlying collateral offers support to the liquidity profile. MMFL also has reasonable access to funding. It raised INR8.80 billion through bank borrowings and limit enhancements in FY23.

Geographically Concentrated Portfolio: MMFL's portfolio is concentrated in southern India, with Tamil Nadu constituting around 46.2 % of the gold loan portfolio in FY23 (FY22: 47% and FY21: 43%). Tamil Nadu, Kerala, Karnataka, Andhra Pradesh and Telangana constituted around 95.8% of the gold loan portfolio as on 31 March 2023. The portfolio is likely to remain concentrated in south India over the medium term as the ramp-up in the newer geographies will be gradual.

Rating Sensitivities

Positive: Material profitable growth in the franchisee while maintaining the leverage below 5.0x along with geographical diversification, further diversification and deepening of funding avenues and a substantial improvement in the operational efficiency and further strengthening of systems and processes could lead to a positive rating action.

Negative: The inability to raise funds at competitive rates, a material depletion in the capital buffers, with the

leverage exceeding 6.0x on a sustained basis, and adverse regulatory actions affecting business operations, could result in a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MMFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

MMFL, a Kerala-based non-deposit taking non-banking finance company, lends against high-yielding gold jewellery, which forms around 93% of the total loans. Around 6% portion of its AUM consists of microfinance loans. Incrementally, MMFL plans to grow in the western geographies of Gujarat and Maharashtra in the gold loans segment.

FINANCIAL SUMMARY

Particulars	FY23	FY22
Total assets (INR million)	38,552	32,277
Total tangible equity (INR million)	6,222.2	5,546.5
Net profit (INR million)	673	463
Return on assets (%)	1.90	1.61
Equity/Asset (%)	16.14	17.18
Tier 1 capital (%)	15.99	18.18
GNPA (%)	0.43	0.61
Source: MMFL; Ind-Ra analysis		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	16 August 2022	26 August 2021	5 March 2021	24 December 2020	14 August 2020
Bank loans	Long-term	INR15,000	IND A-/Stable	IND A-/Stable	IND BBB+/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable
NCDs	Long-term	INR7332.5	IND A-/Stable	IND A-/Stable	IND BBB+/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
NCD	INE101Q07391	24 April 2019	10	24 April 2024	INR179.7	IND A-/Stable
NCD	INE101Q07409	24 April 2019	10.47*	24 April 2024	INR211.5	IND A-/Stable
NCD	INE101Q07730	30 September 2020	9.75	29 September 2022	INR137.2	WD (paid in full)
NCD	INE101Q07748	30 September 2020	9.77*	29 September 2022	INR281.9	WD (paid in full)
NCD	INE101Q07755	30 September 2020	10	29 September 2023	INR214	IND A-/Stable
NCD	INE101Q07763	30 September 2020	10.22*	29 November 2024	INR75.3	IND A-/Stable
NCD	INE101Q07771	30 September 2020	10.5	29 September 2025	INR312.2	IND A-/Stable
NCD	INE101Q07789	30 September 2020	10.28*	29 October 2027	INR160.8	IND A-/Stable
NCD	INE101Q07805	24 November 2020	9.75	23 November 2022	INR123.5	WD (paid in full)
NCD	INE101Q07813	24 November 2020	9.77*	23 November 2022	INR222.4	WD (paid in full)
NCD	INE101Q07821	24 November 2020	10	23 November 2023	INR212.3	IND A-/Stable
NCD	INE101Q07839	24 November 2020	10.22*	23 January 2025	INR86.5	IND A-/Stable
NCD	INE101Q07847	24 November 2020	10.5	21 November 2025	INR362.4	IND A-/Stable
NCD	INE101Q07854	24 November 2020	10.28*	23 December 2027	INR175.9	IND A-/Stable
NCD	INE101Q07870	15 February 2021	9.5	14 February 2023	INR212.5	WD (paid in full)
NCD	INE101Q07888	15 February 2021	9.54*	14 February 2023	INR450.4	WD (paid in full)
NCD	INE101Q07896	15 February 2021	10	14 August 2024	INR472.7	IND A-/Stable
NCD	INE101Q07904	15 February 2021	10.71*	14 August 2026	INR218.2	IND A-/Stable
NCD	INE101Q08118	15 February 2021	10.25	13 March 2026	INR277.1	IND A-/Stable
NCD	INE101Q08126	15 February 2021	10.41*	14 February 2028	INR213.6	IND A-/Stable
NCD	INE101Q07912	03 May 2021	9	25 August 2022	INR226	WD (paid in full)
NCD	INE101Q07920	03 May 2021	9.25	02 May 2023	INR134.7	WD (paid in full)
NCD	INE101Q07938	03 May 2021	9.27	02 May 2023	INR224.8	WD (paid in full)
NCD	INE101Q07946	03 May 2021	9.75	02 November 2024	INR251.5	IND A-/Stable
NCD	INE101Q07953	03 May 2021	10.22	02 July 2025	INR128.1	IND A-/Stable
NCD	INE101Q08134	03 May 2021	10.25	02 June 2026	INR240.5	IND A-/Stable
NCD	INE101Q08142	03 May 2021	10.41	02 May 2028	INR134.9	IND A-/Stable
Utilised limit					INR 3927.2	
Unutilised limit					INR 3405.3	
Total					INR 7332.5	

*Annualised yield

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low
Bank loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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APPLICABLE CRITERIA

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

The Rating Process

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