

Muthoottu Mini Financiers Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,015.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures – IV	70.85	CARE A-; Stable	Reaffirmed
Non-convertible debentures – V	68.40	CARE A-; Stable	Reaffirmed
Non-convertible debentures – VI	127.61	CARE A-; Stable	Reaffirmed
Non-convertible debentures – VII	105.52	CARE A-; Stable	Reaffirmed
Non-convertible debentures – VIII	162.94	CARE A-; Stable	Reaffirmed
Non-convertible debentures – IX	300.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures – X	300.00	CARE A-; Stable	Reaffirmed
Commercial paper	300.00 (Enhanced from 200.00)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to debt instruments and bank facilities of Muthoottu Mini Financiers Limited (MMFL) continue to factor in the group's strong brand recognition, long track record of promoters in the gold loan business, adequate capitalisation levels, good asset quality levels and moderately diversified resource profile. Ratings take note of stable profitability metrics in FY24. Loan portfolio growth remained moderate at 8% in FY24, where the loan portfolio increased from ₹3,263 crore as on March 31, 2023, to ₹3,523 crore as on March 31, 2024. The loan portfolio as on September 30, 2024, stood at ₹3659 crore. Though growth moderated, there has been a shift in ticket sizes, where loan ticket sizes above ₹3 lakh decreased from 20.25% as on March 31, 2023, to 9.09% as on March 31, 2024. Share of loans with ticket size above ₹3 lakhs stood at 9.69% as on September 30, 2024. Ratings continue to be constrained by geographical concentration of loan portfolio, concentration in a single asset class, which is exposed to the market risk related to gold, intense competition in the gold loan business, and significant investment in fixed assets.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could individually or collectively, lead to positive rating action/upgrade:

- Improvement in profitability with return on total assets (ROTA) of above 2.50% on a sustained basis and improvement in the scale of operations.
- Significant improvement in capitalisation levels.

Negative factors – Factors that could individually or collectively, lead to negative rating action/downgrade:

- Moderation in profitability with ROTA of less than 1% on a sustained basis.
- Significant deterioration in asset quality.
- Weakening capitalisation with net gearing (excluding cash and cash equivalents) increasing to above 5.5x.

Analytical approach: Standalone

Outlook: Stable

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

CARE Ratings believes that the entity shall maintain good asset quality and stable profitability, while maintaining adequate capitalisation levels in the medium term.

Detailed description of key rating drivers:

Key strengths

Strong brand value and long track record of operations

The 'Mini Muthootu' group has been in the gold loan business for over six decades and has established a strong brand value in the market. MMFL is a business venture of the 'Mini Muthootu' group. The company has a long track record of operations and has been providing gold loan advances from FY07. The gold loan has also gone through several cycles as loans are of shorter tenure. Over the years, the company expanded and strengthened its branch network across South India and has initiated its branch expansion to the rest of the country. The group's promoters have rich experience in the gold loan business. The company's day-to-day operations are looked after by a team of professionals having extensive experience in banking and finance.

Adequate risk management systems

MMFL has strong appraisal systems, including evaluation of gold. Several tests for checking spurious gold, including touchstone test and nitric acid test, are conducted by the branches. The company has implemented systems for ensuring gold security and reducing custodial risks, including highly secured vaults with dual control and insurance. Surveillance cameras have been installed in all its branches. It also has an internal audit system, where gold auditors inspect the branches, and verifies all gold ornaments, every 30 days. All the company's branches are subject to regular internal audit of accounts once in three months. The company also tracks mark-to-market (MTM) price based on underlying gold for loans on an ongoing basis.

Moderate growth in AUM in FY24

MMFL's loan portfolio grew moderately at 8% in FY24 (against 31% in FY23). Loan portfolio stood at ₹3,523 crore as on March 31, 2024, against ₹3,263 crore as on March 31, 2023. Disbursements slowed down to ₹9,031 crore in FY24 against ₹9,295 crore in FY23. Disbursement for half-ended September 30, 2024, was ₹4,749 crore. The loan portfolio has grown at a compounded annual growth rate (CAGR) of 12% in the last three years. However, gold holdings in terms of tonnage, saw a dip from 8.36 tonnes as on March 31, 2023, to 7.77 tonnes as on March 31, 2024. Gold weightage in terms of tonnage as on September 30, 2024, stood at 7.26 tonnes. The company shifted its focus to lower ticket size loans and proportion of loans with ticket size of above ₹3 lakh was 20.25% as on March 31, 2023, and it has moderated and stood 9.09% as on March 31, 2024. Share of loans with ticket size above ₹3 lakhs stood at 9.69% as on September 30, 2024. Though growth remains moderate in FY24, number of active accounts in the gold loan segment increased from 5,03,974 as on March 31, 2023, to 5,57,249 as on March 31, 2024. The number of active accounts in the gold loan segment as on September 30, 2024, stood at 5,85,430. As on March 31, 2024, gold loans accounted for 91.47% (PY: 93.44%) of the loan portfolio and micro-finance loans stood at 8.35% (PY: 6.35%) and the rest is loan against property (LAP) loans. Gold loan portfolio/branch slightly improved from ₹3.54 crore as on March 31, 2023, to ₹3.57 crore as on March 31, 2024.

	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Branches	767	784	807	814	861	902
Gold loan portfolio	1,281	1,645	1,935	2,427	3,049	3,222
Gold loan portfolio per branch	1.67	2.1	2.4	2.98	3.54	3.57

Adequate capitalisation levels

The total capital adequacy ratio (CAR) and Tier-I CAR stood at 24.00% and 17.51% respectively as on September 30, 2024, against 23.86% and 16.93% respectively as on March 31, 2024. Overall gearing stood at 5.10x as on September 30, 2024, against

5.13x as on March 31, 2024. While net gearing (excluding the cash and cash equivalents) stood at 4.16x on September 30, 2024, against 4.34x as on March 31, 2024. Timely infusion of capital to maintain CAR levels above regulatory level amidst growing portfolio is a key rating sensitivity.

Stable profitability

Profitability remained stable with ROTA of over 1.5% in the last three years. In FY24, though increase in cost of funds, net interest margin (NIM) improved to 7.62% from 7.19% in FY23, supported by relatively higher increase in yields with focus on lower ticket size. Despite increase in branches from 861 branches in FY23 to 902 branches in FY24, opex remained stable at 5.12% for FY24 compared to 5.13% in FY23. However, credit cost increased to 0.17% for FY24. Despite increase in NIM, the company reported ROTA of 1.91% for FY24 compared to 1.89% in FY23 with slight increase in credit cost. NIM stood at 8.57% while opex stood at 5.47% and credit cost at 0.19%, which resulted in a ROTA of 2.14% as on September 30, 2024.

Good asset quality

Loans are mainly backed by gold jewellery that is a liquid and safe security. MMFL's concentration on gold loans with a tenure of 6-9 months continues. However, loans with tenor of less than six months increased from 6.98% in FY23 to 29.77% in FY24.

In case borrowers fail to repay loans within stipulated period, the company reserves the right to auction the gold jewellery kept as security. To further reduce risk due to gold price volatility, MMFL follows a MTM system driven through the software where there is an internal trigger if MTM value is above the determined level. In such a scenario, the company asks the customer for repayments or more collateral.

Asset quality moderated in FY24, with the company reporting gross non-performing assets (GNPA) and net NPA (NNPA) of 0.88% and 0.72% as on March 31, 2024, against 0.43% and 0.37% as on March 31, 2023. GNPA and NNPA as on September 30, 2024, stood at 0.87% and 0.63% respectively. The 90+ days past due (DPD) for MFI loans stood at 2.22% as on March 31, 2024, compared to 1.32% as on March 31, 2023, and 90+ DPD for gold loan book stood at 0.74% as on March 31, 2024, compared to 0.34% as on March 31, 2023. The delinquencies for MFI loans are relatively higher and it remains a key monitorable. However, proportion of MFI on the loan portfolio remains lower at 8% as on March 31, 2024.

The company's ability to maintain asset quality and maintain nil/low under recovery on auctions remains a key rating sensitivity. CARE Ratings expects asset quality to remain good in the medium term with timely auctions and gold remaining as the company's focus product.

Moderately diversified resource profile with increase in share of bank borrowings

MMFL's resource profile is moderately diversified with increase in share of bank borrowings in FY24. Retail debentures (including sub-debt) constituted 43% of total borrowings as on March 31, 2024, against 52% as on March 31, 2023. However, share of borrowings from banks and financial institutions increased from 48% as on March 31, 2023, to 53% as on March 31, 2024. It is to be noted that the company raised privately placed NCD from investors in FY24 and outstanding as on March 31, 2024, stood at ₹149 crore (4% of the total borrowings). The company also raises CP for working capital requirements. CP outstanding as on September 30, 2024, stood at ₹133 crore, which is 3% of total borrowings. Retail debentures constituted 34% of the total borrowings. Share of borrowings from banks and financial institutions stood at 56% as on September 30, 2024. Outstanding privately placed NCDs as on September 30, 2024, stood at ₹250 crore (7% of the total borrowings). CARE Ratings expects resource profile to remain moderately diversified in the medium term.

Key weaknesses**High product and geographical concentration**

MMFL has majority portfolio concentrated towards southern India. As on March 31, 2024, Tamil Nadu continues to remain the top state, which constituted ~40% (PY: 46%) of the gold loan portfolio. The five south Indian states constituted ~96% of the gold loan portfolio as on March 31, 2024. CARE Ratings expects the portfolio to remain concentrated in south India in the medium-term.

The company's majority loan portfolio consists of loans against the gold jewellery. Although risk is mitigated to an extent as loans are backed by gold jewellery, which is highly liquid, the company is exposed to a price risk associated with gold, which could have a bearing on the full recoverability of principal and interest portion. However, MMFL has been giving out loans of shorter tenure and has implemented internal systems monitoring the MTM value to reduce the impact due to price volatility. As on March 31, 2024, gold loans accounted for 91.47% (PY: 93.44%) of the loan portfolio and micro-finance loans stood at 8.35% (PY: 6.35%) and the rest is loan against property (LAP) loans. Gold loans accounted for 91.59% of the loan portfolio, while microfinance contributed to 8.24% of the loan portfolio and the rest is LAP as on September 30, 2024. CARE Ratings expects proportion of gold loans to the total loan portfolio to remain higher in the medium term.

Significant exposure to fixed assets, however, reducing on a year-on-year basis

MMFL made significant investments in fixed assets in FY16 from related parties. However, with equity infusion post that and revaluation in the value of fixed assets purchased, fixed assets/net worth ratio has reduced. With retention of profits and no new acquisition of fixed assets, fixed assets/net worth improved to 29% as on March 31, 2024, against 61% as on March 31, 2017.

Intense competition in gold loan business

Geographically, the gold loan financing industry is predominantly placed in southern India with an active interest banks and large non-banking financial companies (NBFCs) operating from this region. MMFL faces heavy competition from larger players (including banks and other NBFCs) offering gold loans in regions where the company operates. With restriction from the regulator on cash disbursements beyond ₹20,000, turnaround time for loan disbursement is expected to increase and may impact growth for the sector.

Liquidity: Adequate

The asset and liability management (ALM) profile, as on November 30, 2024, is at a comfortable level, with no cumulative negative mismatch in of the time brackets up to one year. ALM is comfortable mainly considering the shorter tenor of loans (majorly up to nine months tenure for gold loans) provided by MMFL with access to longer tenure borrowings. As on November 30, 2024, the company had cash and cash equivalents of ₹555 crore.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

MMFL was incorporated on March 18, 1998, and was operating as an investment company for other group entities till FY06. MMFPL started gold loan advances from FY07 and undertook rapid branch expansion from FY09 onwards. The company was

converted in a public limited company on November 27, 2013, and consequently the name changed from Muthoot Mini Financiers Private Limited to MMFL. MMFL also operates as an agent of several Money Transfer Services set-ups, such as Western Union and Express Money, realising agency commission for these services. As on September 30, 2024, the company had a loan portfolio of ₹3,659 crore. MMFL operates through 920 branches across 12 states/Union territory as on September 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	544	672	392
PAT	67	78	47
Interest coverage (times)	1.29	1.32	1.38
Total Assets	3,870	4,308	4584
Net NPA (%)	0.37	0.72	0.63
ROTA (%)	1.89	1.91	2.14

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE101Q14025	05-07-2024	10.00%	03-01-2025	40.00	CARE A1
Commercial Paper-Commercial Paper (Standalone)	INE101Q14058	30-09-2024	11.00%	30-09-2025	50.00	CARE A1
Commercial Paper-Commercial Paper (Standalone)	INE101Q14066	11-10-2024	10.00%	14-03-2025	50.00	CARE A1
Commercial Paper-Commercial Paper (Standalone)	INE101Q14082	27-12-2024	10.00%	11-03-2025	25.00	CARE A1
Commercial Paper-Commercial Paper (Standalone)	Proposed				135.00	CARE A1
Debentures-Non Convertible Debentures - IV	INE101Q07599	February 18, 2020	10.50%	February 17, 2025	27.27	CARE A-; Stable
	INE101Q07607	February 18, 2020	10.07%	December 17, 2025	1.65	CARE A-; Stable

	INE101Q07615	February 18, 2020	10.28%	March 17, 2027	41.93	CARE A-; Stable
Debentures-Non Convertible Debentures - V	INE101Q07706	July 2, 2020	10.50%	July 01, 2025	36.84	CARE A-; Stable
	INE101Q07714	July 2, 2020	10.28%	July 31, 2027	31.56	CARE A-; Stable
Debentures-Non Convertible Debentures - VI	INE101Q07995	September 16, 2021	9.50%	March 15, 2025	44.04	CARE A-; Stable
	INE101Q07AA1	September 16, 2021	10.22%	November 15, 2025	33.57	CARE A-; Stable
	INE101Q08159	September 16, 2021	10.00%	March 15, 2027	25.92	CARE A-; Stable
	INE101Q08167	September 16, 2021	10.41%	September 15, 2028	24.08	CARE A-; Stable
Debentures-Non Convertible Debentures – VII	INE101Q07AE3	January 03, 2022	9.50%	January 02, 2025	17.51	CARE A-; Stable
	INE101Q07AF0	January 03, 2022	9.75%	January 02, 2026	61.82	CARE A-; Stable
	INE101Q07AG8	January 03, 2022	10.13%	July 02, 2027	26.19	CARE A-; Stable
Debentures-Non Convertible Debentures - VIII	INE101Q07AK0	May 23, 2022	9.25%	May 22, 2025	28.69	CARE A-; Stable
	INE101Q07AL8	May 23, 2022	9.50%	May 22, 2026	90.70	CARE A-; Stable
	INE101Q07AM6	May 23, 2022	10.00%	November 22, 2027	43.55	CARE A-; Stable
Debentures-Non Convertible Debentures – IX	INE101Q07AN4	November 10, 2023	10%	November 10, 2025	49.00	CARE A-; Stable
	INE101Q07AO2	January 12, 2024	10%	December 31, 2025	50.00	CARE A-; Stable
	INE101Q07AP9	February 28, 2024	10%	February 27, 2026	50.00	CARE A-; Stable
	INE101Q07AQ7	April 25, 2024	10.00%	April 25, 2027	75.00	CARE A-; Stable
	INE101Q07AS3	September 13, 2024	9.75%	September 13, 2026	25.00	CARE A-; Stable
	Proposed	-	-	-	51.00	CARE A-; Stable
Debentures-Non Convertible Debentures – X	INE101Q07AX3	November 19, 2024	8.50%	February 12, 2026	9.97	CARE A-; Stable
	INE101Q07AU9	November 19, 2024	9.00%	January 18, 2027	5.28	CARE A-; Stable
	INE101Q07AR5	November 19, 2024	9.40%	January 18, 2027	12.20	CARE A-; Stable
	INE101Q07AY1	November 19, 2024	9.50%	November 18, 2027	33.16	CARE A-; Stable
	INE101Q07AW5	November 19, 2024	9.75%	November 18, 2027	9.75	CARE A-; Stable
	INE101Q07AT1	November 19, 2024	10.00%	November 18, 2028	32.92	CARE A-; Stable
	INE101Q07AV7	November 19, 2024	10.50%	May 18, 2030	11.32	CARE A-; Stable
	Proposed				185.40	CARE A-; Stable
Fund-based-Long Term	-	-	-	-	2015.00	CARE A-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Mar-22) 2)CARE BBB+; Stable (28-Jul-21)
2	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; Stable (07-Dec-23) 2)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (12-Aug-22) 2)CARE A-; Stable (01-Jul-22)	1)CARE BBB+; Stable (07-Mar-22) 2)CARE BBB+; Stable (28-Jul-21)
3	Debentures-Non Convertible Debentures	LT	70.85	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; Stable (07-Dec-23) 2)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (12-Aug-22) 2)CARE A-; Stable (01-Jul-22)	1)CARE BBB+; Stable (07-Mar-22) 2)CARE BBB+; Stable (28-Jul-21)
4	Debentures-Non Convertible Debentures	LT	68.40	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24)	1)CARE A-; Stable (07-Dec-23) 2)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (12-Aug-22) 2)CARE A-; Stable (01-Jul-22)	1)CARE BBB+; Stable (07-Mar-22) 2)CARE BBB+; Stable (28-Jul-21)

					4)CARE A-; Stable (04-Apr-24)			
5	Debentures-Non Convertible Debentures	LT	127.61	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; ; Stable (07-Dec-23) 2)CARE A-; ; Stable (07-Jul-23)	1)CARE A-; ; Stable (12-Aug-22) 2)CARE A-; ; Stable (01-Jul-22)	1)CARE BBB+; Stable (07-Mar-22) 2)CARE BBB+; Stable (28-Jul-21)
6	Debentures-Non Convertible Debentures	LT	105.52	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; ; Stable (07-Dec-23) 2)CARE A-; ; Stable (07-Jul-23)	1)CARE A-; ; Stable (12-Aug-22) 2)CARE A-; ; Stable (01-Jul-22)	1)CARE BBB+; Stable (07-Mar-22) 2)CARE BBB+; Stable (25-Aug-21)
7	Debentures-Non Convertible Debentures	LT	162.94	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; ; Stable (07-Dec-23) 2)CARE A-; ; Stable (07-Jul-23)	1)CARE A-; ; Stable (12-Aug-22) 2)CARE A-; ; Stable (01-Jul-22)	1)CARE BBB+; Stable (09-Mar-22)
8	Fund-based-Long Term	LT	2015.00	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24)	1)CARE A-; ; Stable (07-Dec-23) 2)CARE A-; ; Stable	1)CARE A-; ; Stable (12-Aug-22) 2)CARE A-; ; Stable	-

					3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	(07-Jul-23)	(07-Jul-22)	
9	Debentures-Non Convertible Debentures	LT	300.00	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	1)CARE A-; Stable (07-Dec-23) 2)CARE A-; Stable (07-Jul-23)	1)CARE A-; Stable (12-Aug-22) 2)CARE A-; Stable (07-Jul-22)	-
10	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1	1)CARE A1 (04-Oct-24) 2)CARE A1 (20-Sep-24) 3)CARE A1 (05-Jul-24) 4)CARE A1 (04-Apr-24)	1)CARE A1 (07-Dec-23)	-	-
11	Debentures-Non Convertible Debentures	LT	300.00	CARE A-; Stable	1)CARE A-; Stable (04-Oct-24) 2)CARE A-; Stable (20-Sep-24) 3)CARE A-; Stable (05-Jul-24) 4)CARE A-; Stable (04-Apr-24)	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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