Muthoot Fincorp Limited

October 05, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Subordinated debt	SEBI	1,200.00	CARE AA; Stable	Assigned
Non-convertible debentures	SEBI	1,600.00	CARE AA; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to subordinated debt and non-convertible debentures (NCDs) of Muthoot Fincorp Limited (MFL) factor in MFL's long track record of operations with an established market position as one of the leading players in the gold loan industry in India and its experienced promoters and management team. Ratings also continue to factor in adequate capitalisation levels, diversified resource profile, and improving consolidated profitability aided by recovery in microfinance business. The company continues to have gold loans as the dominant asset class while it diversifies into other products, such as micro, small and medium enterprise (MSME) lending, digital lending, and supply chain finance (SCF).

However, ratings are constrained by moderate, despite improving, asset quality, exposure to price risk of gold and high competition from banks in the gold loan segment. Ratings are also tempered by geographical concentration of gold loan portfolio in southern states and challenges associated with non-gold segments with the company's limited presence in the housing finance and digital lending portfolio. MFL's ability to contain slippages, improve collection efficiency, and maintain earnings momentum, in the non-gold businesses while strengthening its secured lending base will be key monitorables going forward.

Despite MFL's high leverage levels at present, CARE Ratings Limited (CareEdge Ratings) takes note of its near-term plans to raise ₹3,000 crore of equity capital through fresh issue (Draft Red Herring Prospectus [DRHP] already filed with the regulator), which along with healthy internal accruals, is expected to improve its gearing.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant increase in scale of operations and product diversification while improving overall profitability levels and maintaining stable asset quality.

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

- Consolidated return on managed assets (ROMA) remaining below 2.50% on a sustained basis.
- Deterioration in capitalisation levels with capital adequacy ratio (CAR) remaining below 18% on a sustained basis.
- Significant deterioration in asset quality parameters on a sustained basis.

Analytical approach: Consolidated

Consolidated financials of MFL are considered as its subsidiaries are an integral part of the group with shared brand name, business linkages, and common promoters. Subsidiaries considered for consolidation are mentioned under Annexure-5.

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectation that MFL will sustain its growth momentum while improving profitability, capital adequacy, and asset quality in the near-to-medium term.

Detailed description of key rating drivers

Key strengths

Long track record and established market position

MFL has over two decades of established track record of operations in the financing industry and has consequently established a strong brand image in the market. MFL is one of the largest gold loan non-banking finance companies (NBFCs) in India. The

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

company has a presence in retail and MSME loans, loan against property (LAP), digital loans, SCF segment, and other loans on its own book. MFL has a major presence in gold loans and MSME financing. Tonnage of gold holdings (underlying security) increased from 56.47 tonnes as on March 31, 2025, to 62.33 tonnes as on March 31, 2026.

The group also has a presence in microfinance and housing finance segments through its subsidiaries, Muthoot Microfin Limited (MML) and Muthoot Housing Finance Company Limited (MHFCL). As on March 31, 2026, MFL (consolidated) had 5,936 branches and processing centres across India, with assets under management (AUM) of ₹73,445 crore (consolidated). Through its subsidiaries, the company has expanded its presence in new businesses, such as microfinance and home finance, where its footprint has been growing.

Experienced promoters and management team

MFL's promoters have been in the gold loan business for over three decades. The business was founded by Mathew M. Thomas, popularly known as Muthoot Pappachan, and Thomas John Muthoot took over the business as Chairman and Managing Director of MFL in 2006. In 1997, MFL was incorporated to expand the group's presence in the gold loan business by opening branches across India. MFL has appointed Shaji Varghese as Chief Executive Officer (CEO) from 2022 onwards, and Joseph Oommen as Chief Financial Officer (CFO) of the company. The company's operations are managed by a team of professionals overseen by the Board, which comprises 10 Directors, including six Independent Directors with extensive experience in the banking, financial services, and insurance (BFSI) sector.

Adequate capital adequacy levels

The company's capitalisation level remains adequate aided by healthy internal accruals. MFL reported CAR of 18.00% on a standalone basis with Tier 1 CAR of 13.20% as on March 31, 2026, against 19.50% and 15.85% as on March 31, 2025.

Overall gearing (consolidated) stood at 6.86x as on March 31, 2026, against 5.73x as on March 31, 2025. The company had consolidated tangible net worth (TNW) of ₹8,167 crore as on March 31, 2026, against ₹6,287 crore as on March 31, 2025.

The company has filed DRHP for initial public offering (IPO) with Securities and Exchange Board of India (SEBI) in August 2026, to raise a fresh equity of ₹3,000 crore. On a standalone basis, the company's gearing stood at 6.53x with net worth of ₹6,679 crore as on March 31, 2026, and 6.16x with net worth of ₹7,899 crore as on June 30, 2026. As on June 30, 2026, MFL reported CAR of 18.06%. CareEdge Ratings expects CAR to remain comfortable going forward, considering IPO plans this fiscal and strong internal accruals.

Diversified resource profile

MFL has a diversified resource profile with bank borrowing, term loan (including external commercial borrowings [ECBs]) and working capital borrowing, NCDs, commercial paper, subordinated debt, and perpetual debt. As on March 31, 2026, the company's funding profile consisted of term loans from banks and NBFCs at 57.8% of total borrowings (PY: 54.4%), CC/WCDL at 15.4% of total borrowings (PY: 23.7%), NCDs at 11.0% of total borrowings (PY: 11.8%), commercial papers at 8.9% of total borrowings (PY: 3.5%) and subordinated debt and perpetual debt stood at 6.8% (PY: 6.5%).

Improving profitability

On a consolidated basis, the company reported profit after tax (PAT) of ₹1,848 crore on total income of ₹11,228 crore in FY26, against a PAT of ₹608 crore on total income of ₹8,512 crore in FY25. Overall yield on advances stood at 21.44% in FY26, against 22.02% in FY25, while the net interest margin (NIM) improved by 77 bps to 10.81% in FY26 against 10.03% in FY25. Operating expenses (opex/average total assets) also declined to 6.86% in FY26 against 7.36%, due to higher increase in advances and increase in operational efficiencies. Credit cost also declined to 1.25% in FY26 against 2.75% in FY25, due to higher delinquencies and write offs majorly in non-gold loan segment in FY25. With improved NIM, operating efficiency and credit costs, the company's return on total assets (ROTA)improved to 3.27% in FY26 from 1.44% in FY25. ROMA also improved to 2.70% in FY26, against 1.24% in FY25, and 2.72% in FY24.

On a standalone basis, MFL reported a growth by 108.4% in PAT to ₹1,640 crore on a total income of ₹8,364 crore in FY26, against PAT of ₹787 crore on a total income of ₹5,551 crore in FY25. Yield on advances improved in FY26 to 21.59% against 20.93% in FY25. NIM also increased by 207 bps to 10.90% in FY26 against 8.83% in FY25. Opex (as a percentage of average total assets) stood at 6.68% in FY26 against 7.01% in FY25. Credit cost increased from 0.37% in FY25 to 0.61% in FY26, due to higher provisioning, considering select pockets. ROTA improved to 3.84% in FY26 and 5.01% (annualised) in Q1FY27, against 2.65% in FY25, with increased NIM and better operational efficiency. CareEdge Ratings expects profitability to increase in FY27, considering higher growth in advances portfolio and stable credit cost.

Improving asset quality; although housing finance asset quality has deteriorated

Secured gold loan portfolio helps the company in maintaining good asset quality, despite delinquencies. Shorter tenure of gold loan portfolio and regular auctions keep credit costs under check. The company's asset quality improved in FY26, as MFL (standalone) reported gross non-performing assets (GNPA) and net NPA (NNPA) of 1.03% and 0.57% as on March 31, 2026, and 0.77% and 0.41%, respectively, as on June 30, 2026, against 1.98% and 1.28%, respectively, as on March 31, 2025. Net stressed assets to net worth stood at 3.92% in FY26, against 6.78% in FY25.

Asset quality remained moderate, though improving in microfinance business as on June 30, 2026. GNPA for MHFCL stood at 2.61% as on June 30, 2026 (1.95% as on March 31, 2026, and 1.17% as on March 31, 2025). For MML, GNPA and NNPA stood at 3.70% and 1.05% as on June 30, 2026, (3.89% and 1.14% as on March 31, 2026, and 4.84% and 1.34%, respectively). The company's ability to improve its asset quality in the non-gold segment remains a key monitorable.

Key weaknesses

Exposure to price risk of gold and increasing competition from banks in gold loan business

As on March 31, 2026, gold loans on a consolidated basis constituted ~67% of AUM, against 58% as on March 31, 2025. The company extends gold loan for one year with 100% of the portfolio in this tenure as on March 31, 2026. This exposes the company to gold price risk. The company's ability to keep auction losses under control remains a key monitorable. Banks have increased the focus on gold jewellery loans due to its secured nature over the years, increasing the competitive intensity in the market.

Gold price increased by ~12.40% in FY26, resulting in increase in quantum of higher ticket size loans. MFL's ability to attract new customers is critical to its AUM growth and remains a key monitorable.

Geographic concentration of loans

MFL has a pan India (25 states) presence, with its 5,936 branches and processing centres (on a consolidated basis) as on March 31, 2026. Gold loan portfolio as a percentage of AUM in south India continues to remain high. Top five states (Karnataka, Tamil Nadu, Telangana, Andhra Pradesh, and Maharashtra) contribute to ~61.8% of the AUM as on June 30, 2026, whereas top three states accounted for 41.8% of AUM. Concentration of loans remains a challenge for non-gold segments.

Challenges associated with non-gold segments

As part of its diversification strategy, MFL has ventured into LAP, SCF, digital lending, among others. The LAP AUM (consolidated) stood at ₹5,551 crore as on March 31, 2026, against ₹4,618 crore as on March 31, 2025, and SCF AUM stood at ₹152 crore as on March 31, 2026, against ₹70 crore as on March 31, 2025. The company also built a digital lending portfolio, which stood at ₹1,396 crore as on March 31, 2026, against ₹742 crore as on March 31, 2025.

The company also has presence in other loan segments, such as housing loans, and this portfolio stood at ₹2,325 crore as on March 31, 2026, against ₹1,718 crore as on March 31, 2025. MFL holds 82.56% in MHFCL, while MFL holds 50.21% in MML as on March 31, 2025. As on March 31, 2026, MML and MHFCL had AUM of ₹13,996 crore and ₹3,254 crore, respectively.

On a consolidated basis, non-gold loan business accounted for 32.8% of the portfolio, as on March 31, 2026 (PY: 42.5%). With majority growth coming in the recent years, seasoning of this portfolio remains limited. Considering MML, microfinance sector continues to be impacted by the inherent risk involved, including, socio-political intervention risk and risks emanating from regulatory environment for unsecured lending and marginal profile of borrowers, who are vulnerable to economic downturns apart from operational risks related to cash-based transaction. CareEdge Ratings believes that MML's asset quality would improve from FY27, improving MFL's consolidated financial profile.

Liquidity: Adequate

MFL's asset liability maturity (ALM) remained adequate with healthy internal accruals and access to short-term and long-term funds. The company's ALM had no cumulative mismatch in time buckets up to one year as on June 30, 2026. The company has reported liquidity coverage ratio (LCR) of 122.86% as on March 31, 2026, and 154.52% as on June 30, 2026, against regulatory limit of 100%. The company had cash and bank balances of ₹2,141 crore as on June 30, 2026. Most of the company's borrowings have a longer tenure while advances are of relatively shorter tenure (especially in case of gold loans), leading to positive mismatches in the ALM.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios – Financial Sector
Non-Banking Financial Companies
Consolidation

About the company and industry

Industry classification

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

MFL is a non-deposit-taking, systemically important NBFC engaged in lending against gold jewellery, set up in 1997. The company has diversified into secured and unsecured MSME segments. It is the flagship company of the Muthoot Pappachan Group (MPG), which has diverse businesses, such as hospitality, real estate, and power generation. MFL (consolidated) AUM stood at ₹73,445 crore as on March 31, 2026, and ₹83,587 crore as on June 30, 2026. In June 2026, MFL (on a standalone basis) had AUM of ₹65,690 crore, MML had AUM of ₹14,457 crore, and MHFCL had AUM of ₹3,440 crore. On a consolidated basis, gold loan accounts for ~67% of AUM, microfinance loan accounts for ~19% of AUM, MSME loan accounts for ~8% of AUM, home loan accounts for ~3% of AUM, and other loans for ~3% of AUM as on March 31, 2026.

Consolidated Financials:

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (A)
Total income	6,554	8,511	11,228
Profit after tax (PAT)	1,048	608	1,848
Assets under management (AUM)	36,187	46,969	73,445
On-book gearing (x)	5.28	5.73	6.86
AUM / tangible net worth (TNW) (x)	6.22	7.47	8.99
Standalone gross non-performing assets (NPA) / gross stage 3 (%)	1.62	1.98	1.03
Return on managed assets (ROMA) (%)*	2.70	1.24	2.67
Standalone capital adequacy ratio (CAR) (%)	20.01	19.50	18.00

A: Audited; UA: Unaudited; Note: These are latest available financial results.
Note: All financial ratios are as per CareEdge Ratings' calculations.
* Based on year-end numbers.

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Subordinated Debt	SEBI	Complex	INE549K08590	03-06-2026	10.40%	30-12-2033	100.00	CARE AA; Stable
Subordinated Debt	SEBI	Complex	INE549K08624	25-06-2026	10.25%	24-12-2031	500.00	CARE AA; Stable
Subordinated Debt	SEBI	Complex	INE549K08632	03-07-2026	10.26%	31-12-2031	100.00	CARE AA; Stable
Subordinated Debt	SEBI	Complex	INE549K08640	31-08-2026	10.40%	31-08-2034	150.00	CARE AA; Stable
Subordinated Debt	SEBI	Complex	Proposed	-	-	-	350.00	CARE AA; Stable
Non-Convertible Debentures	SEBI	Simple	INE549K07JO6	25-09-2026	9.60%	24-10-2031	220.00	CARE AA; Stable
Non-Convertible Debentures	SEBI	Simple	INE549K07JN8	25-09-2026	9.60%	25-11-2031	220.00	CARE AA; Stable
Non-Convertible Debentures	SEBI	Simple	Proposed	-	-	-	1,160.00	CARE AA; 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 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Debt-Subordinate Debt	LT	1200.00	CARE AA; Stable				
2	Debentures-Non-Convertible Debentures	LT	1600.00	CARE AA; Stable				

LT: Long term

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

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Muthoot Microfin Limited	Full	Subsidiary
2	Muthoot Housing Finance Company Limited	Full	Subsidiary
3	Muthoot Pappachan Technologies Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge 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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