

30 April, 2014

**CARE ASSIGNS 'CARE BBB-' RATING TO THE PROPOSED NCDS OF
MIDLAND MICROFIN LIMITED**

Rating

Instrument	Amount (Rs. Crore)	Ratings ¹	Remarks
Non-Convertible Debentures (NCDs)	25	CARE BBB- (Triple B Minus)	Assigned
Total	25		

Rating rationale

The rating of the instruments of Midland Microfin Limited (MML) derives strength from the experience of the promoter and management team, strong promoter group, good loan appraisal and portfolio management systems in place, comfortable capitalization levels and strong asset quality. However, the rating is constrained by the modest earning profile of MML, geographical concentration of operations and inherent socio-political, regulatory and operational risks.

The ability of MML to grow its portfolio and improve profitability, while maintaining a good asset quality and comfortable capitalization would be the key rating sensitivities.

Background

Midland Microfin Ltd (MML) was originally incorporated as 'Sajan Hire Purchase Pvt Ltd (SHPPL)' on May 28, 1988. SHPPL was engaged in hire purchase business. In June 2010, the Midland group of Punjab acquired SHPPL with the aim of venturing into the microfinance business and the name of the company was changed to MML in January 2011. The hire purchase business was also discontinued at the same time. MML is registered with RBI as a non-deposit taking NBFC. MML follows a five-member group lending methodology under the Joint Liability Group (JLG) model. MML is currently operating in three states (ie, Punjab, Rajasthan and Haryana). The operations are managed through a network of 21 branches with total of 46,550 active borrowers and loan portfolio of Rs.33.21 crore as on March 31, 2014.

During FY14 (refers to the period April 1 to March 31), MML reported a PAT of Rs.0.53 crore on a total income of Rs.8.11 crore as compared with a PAT of Rs.0.13 crore on a total income of Rs.4.03 crore in FY13. As on March 31, 2014, the assets under management (AUM) stood at Rs.33.21 crore and the capital adequacy ratio (CAR) was 31.58%.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

¹ Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

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