Midland Microfin Limited

August 20, 2021

Ratings

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Term Loan Facility	12.00	CARE A- (CE); Stable [CARE Single A minus (Credit Enhancement); Outlook: Stable]	Final Rating Confirmed
Total Long Term Instruments	**12.00 (Rs. Twelve Crore Only)**		

Details of instruments/facilities in Annexure-1.

Unsupported Rating[2]	CARE BBB

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale and Key Rating Drivers

CARE has assigned a rating of 'CARE A- (CE); Stable' [CARE Single A minus (Credit Enhancement); Outlook: Stable] to the proposed Term Loan Facility (Long term) of Midland Microfin Limited (MML), covered with the Security pool of microfinance loan receivables assigned to CredAvenue Titus Trust 2020.

The rating is now confirmed and rating of 'CARE A- (CE); Stable' [CARE Single A minus (Credit Enhancement); Outlook: Stable] to the Term Loan Facility (Long Term) of DFL has been assigned. The rating assigned is finalized, based on the structure provided to CARE by MML, the originator. The rating has been confirmed after the copies of documents executed in accordance with the structure, a due diligence audit report by an external auditor and an independent legal opinion is furnished by the originator, to the satisfaction of CARE.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

1. Upward revision of MML's standalone rating.

Negative Factors - Factors that could lead to negative rating action/downgrade:

1. Downward revision in the standalone rating of the Issuer.
2. Non-adherence to the key transaction terms envisaged at the time of the rating.

Detailed Rationale & Key Rating Drivers: NA

Key Rating Strengths: NA

Key Rating Weaknesses: NA

Liquidity Position - Adequate

The inherent liquidity in the structure is adequate given the total support available to the lender. The support available to the lender are: i) MML's internal accruals, ii) Security Pool - provided by CredAvenue Titus Trust 2020, a Special Purpose Vehicle (SPV) to which MML will assign microfinance loan receivables with principal cover of 1.17 times the facility amount (Rs. 12 cr.) and iii) Cash collateral in the form of FD that is maintained at 3.0% of the initial term loan amount. Entire principal is promised to the lender only by the final maturity date (48 months from issue date). The priority of payment from cover pool would be the repayment of expected interest and principal with turbo par amortization, which indicates that the residual beneficiaries would not receive any collections from the pool until the entire obligation to lender is fully repaid.

[2] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

[3] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).*

The company has a favourable liquidity position given the longer tenure borrowings repayable over 2-10 years as against shorter tenure of MFI loans of up to 2 years as also reflected by a well matched ALM as on September 30, 2020. Company's expected inflows in up to one-year bucket were 1.7 times of expected outflows. The company maintains sufficient liquidity buffer at all times to meet its immediate disbursement requirements and any emergent payments. The company has cash and bank balance of Rs. 6.09 crore with unutilised credit of Rs. 10 crore as on February 28, 2021. Additionally, the company had unencumbered investments/FD of Rs 187.8 crore as on date.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Non-Banking Financial Companies
Financial ratios – Financial Sector
CARE's methodology for Asset / Mortgage Backed Securitization
Rating Credit Enhanced Debt

Key Rating Assumptions: NA

About the Company
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 promoted by Mr. Amardeep Samra and family acquired SHPPL with the aim of venturing into the microfinance business and the name of the company was changed to Midland Microfin Limited in January 2011. The hire purchase business was also discontinued at the same time. MML is registered with RBI as a NBFC-MFI (Non-Banking Financial Company-Microfinance Institute) since January 2015. MML is currently operating in seven states (i.e. Punjab, Rajasthan, Haryana, Bihar, Uttar Pradesh, Jharkhand and Himachal Pradesh). The operations are managed through a network of 218 branches with more than 4.36 Lac active JLG borrowers with AUM of Rs.764.40 crores ending May 31, 2021.

Key Financial Indicators (Rs. Crore):

Brief Financials (Rs. crore)	**FY19 (A)**	**FY20 (A)**
Total operating income	115.89	184.35
PAT	8.65	18.73
Total Assets	778.28	985.03
AUM	547.24	777.71
Net NPA (%)	0.04	0.01
ROTA (%)	1.47	2.13

A-Audited
Status of non-cooperation with previous CRA: Not Applicable
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan Facility	-	March 27, 2021	12.25%	Mar'24	12.00	CARE A- (CE); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan Facility	LT	12.00	CARE A-(CE); Stable	Provisional CARE A-(CE); Stable (30-Mar-2021	-	-	-

Annexure 3: Detailed explanation of covenants of the rated instrument /facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of Instrument	Complexity Level
1	Term Loan	Highly Complex

Note on complexity levels of the rated instrument: *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.*

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