

Muthoottu Mini Financiers Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,015.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures	38.78	CARE A-; Stable	Reaffirmed
Non-convertible debentures	70.85 (Reduced from 101.80)	CARE A-; Stable	Reaffirmed
Non-convertible debentures	85.26	CARE A-; Stable	Reaffirmed
Non-convertible debentures	127.61	CARE A-; Stable	Reaffirmed
Non-convertible debentures	105.52	CARE A-; Stable	Reaffirmed
Non-convertible debentures	162.94 (Reduced from 221.84)	CARE A-; Stable	Reaffirmed
Non-convertible debentures	300.00	CARE A-; Stable	Reaffirmed
Non-convertible debentures	300.00	CARE A-; Stable	Reaffirmed
Commercial paper	100.00 (Enhanced from 50.00)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to various debt instruments and bank facilities of Muthoottu Mini Financiers Limited (MMFL) continues to factor in the strong brand recognition of the group, the long track record of the promoters in the gold loan business, adequate capitalization levels, good asset quality levels and moderately diversified resource profile. The rating takes note of stable profitability metrics in FY24. The loan portfolio growth remained moderate at 8% in FY24, wherein the loan portfolio increased from ₹3,263 crore as on March 31, 2023 to ₹3,523 crore as on March 31, 2024. Though the growth has moderated, there has been a shift in the 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. The rating continues to be constrained by the 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 along with improvement in the scale of operations.
- Significant improvement in capitalization 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 of capitalization with net gearing (excluding cash and cash equivalents) increasing to above 5.5x.

Analytical approach: Standalone

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

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity shall maintain good asset quality and stable profitability while maintaining adequate capitalisation levels over the medium term.

Detailed description of key rating drivers:

Key strengths

Strong brand value and long track record of operations

The 'Mini Muthoottu' group has been in the gold loan business for more than six decades and has established a strong brand value in the market. MMFL is a business venture of the 'Mini Muthoottu' 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 the loans are of shorter tenure in nature. Over the years, the company has expanded and strengthened its branch network across south India and has initiated its branch expansion to the rest of India. The promoters of the group have rich experience in the gold loan business. The day-to-day operations of the company are looked after by a team of professionals who have extensive experience in banking and finance.

Adequate risk management systems

MMFL has put in place strong appraisal systems, including the 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. Furthermore, surveillance cameras have been installed in all its branches. It also has an internal audit system, wherein the gold auditors inspect the branches, and verifies all the gold ornaments, every 30 days. All the branches of the company are subject to regular internal audit of accounts once in three months. The company also tracks mark-to-market (MTM) price based on the underlying gold for the loans on an ongoing basis.

Moderate growth in AUM during FY24

MMFL's loan portfolio witnessed moderate growth of 8% during FY24 (as against 31% in FY23). Loan portfolio stood at ₹3,523 crore as on March 31, 2024 as against ₹3,263 crore as on March 31, 2023. Disbursements slowed down to ₹9,031 crore during FY24 as against ₹9,295 crore during FY23. The loan portfolio has grown at a compounded annual growth rate (CAGR) of 12% over the last three years. However, the 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. The company has shifted its focus to lower ticket size loans and the 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. Though the growth remains moderate in FY24, the number of active customers in the gold loan segment has increased from 503974 as on March 31, 2023 to 557249 as on March 31, 2024. As on March 31, 2024, gold loans accounted for 91.47% (P.Y: 93.44%) of the loan portfolio and micro-finance loans stood at 8.35% (P.Y : 6.35%) and the rest is loan against property (LAP) loans. Gold loan portfolio/branch has 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 23.86% and 16.93%, respectively, as on March 31, 2024, as against 22.81% and 15.99%, respectively, as on March 31, 2023. The overall gearing stood at 5.13x as on March 31, 2024, as against 5.18x as on March 31, 2023. While net gearing (excluding the cash and cash equivalents) stood at 4.34x as on March 31, 2024, as against 4.61x as on March 31, 2023. Timely infusion of capital to maintain CAR levels above regulatory level amidst the growing portfolio is a key rating sensitivity. CARE Ratings expects net gearing to remain below 5.5x on a steady state basis.

Stable profitability

Profitability has remained stable with ROTA of more than 1.5% over last three years. In FY24, though increase in cost of funds, net interest margin (NIM) has 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, the opex remained stable at 5.12% for FY24 as compared to 5.13% in FY23. However, credit cost increased to 0.17% for FY24. Thus, despite increase in NIM, the company reported ROTA of 1.91% for FY24 as compared to 1.89% in FY23 with slight increase in credit cost.

Good asset quality

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

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

The asset quality has 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 as against 0.43% and 0.37% as on March 31, 2023. The 90+ days past due (DPD) for MFI loans stood at 2.22% as on March 31, 2024, as compared to 1.32% as on March 31, 2023 and the 90+ DPD for gold loan book stood at 0.74% as on March 31, 2024 as compared to 0.34% as on March 31, 2023. The delinquencies for MFI loans are relatively higher and it remains a key monitorable. However, the proportion of MFI on the loan portfolio remains lower at 8% as on March 31, 2024.

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

Moderately diversified resource profile with increase in share of bank borrowings

The resource profile of MMFL is moderately diversified with increase in the share of bank borrowings in FY24. Retail debentures (including sub-debt) constituted 43% of the total borrowings as on March 31, 2024 as against 52% as on March 31, 2023. However, the share of borrowings from banks and financial institutions has witnessed increase from 48% as on March 31, 2023 to 53% as on March 31, 2024. It is to be noted that the company has raised privately placed NCD from investors during FY24 and outstanding as on March 31, 2024 stood at ₹149 crore (4% of the total borrowings). The company has also started raising CP for working capital requirements. CARE Ratings expects the resource profile to remain moderately diversified in the medium term.

Key weaknesses**High product and geographical concentration**

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

Majority of the company's loan portfolio consists of loans against the gold jewellery. Although the risk is mitigated to an extent as the loans are backed by gold jewellery, which is highly liquid in nature, the company is exposed to a price risk associated with the 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 the price volatility. As on March 31, 2024, gold loans accounted for 91.47% (P.Y : 93.44%) of the loan portfolio and micro-finance loans stood at 8.35% (P.Y : 6.35%) and the rest is loan against property (LAP) loans. CARE Ratings expects the 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, the 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, as 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 of both, the banks and the large non-banking financial companies (NBFCs) operating out of this region. MMFL faces heavy competition from larger players (including banks and other NBFCs) offering gold loans in the regions in which the company operates. Also with the restriction from the regulator on cash disbursements beyond ₹20,000, the turnaround time for loan disbursement is expected to increase and may impact the growth for the sector.

Liquidity: Adequate

The asset and liability management (ALM) profile, as on March 31, 2024, is at a comfortable level, with no cumulative negative mismatch in any of the time brackets upto one year. ALM is comfortable mainly on account of the shorter tenor of loans (majorly upto nine months tenure for gold loans) provided by MMFL with access to longer tenure borrowings. As on March 31, 2024, the company had cash and cash equivalents of ₹551 crore.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Muthoottu Mini Financiers Ltd (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 has been converted into a public limited company on November 27, 2013, and consequently the name has been changed from Muthoottu 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 March 31, 2024, the company had a loan portfolio of ₹3,523 crore. MMFL operates through 902 branches across 12 states/Union territory as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	544	672
PAT	67	78
Interest coverage (times)	1.29	1.32
Total Assets	3,870	4308
Net NPA (%)	0.37	0.72
ROTA (%)	1.89	1.91

A: Audited; 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

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Rating Assigned along with Rating Outlook
					(₹crore)	
Debentures-Non-convertible debentures III	INE101Q07524	September 12, 2019	10.35%	September 12, 2024	13.44	CARE A-; Stable
	INE101Q07532	September 12, 2019	10.65%	September 12, 2024	2.67	CARE A-; Stable
	INE101Q07540	September 12, 2019	10.35%	September 12, 2024	22.67	CARE A-; Stable
Debentures-Non-convertible debentures IV	INE101Q07581*	February 18, 2020	10.22%	April 17, 2024	-	Withdrawn
	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	INE101Q07698	July 2, 2020	10.22%	August 31, 2024	16.86	CARE A-; Stable
	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	INE101Q07AI4*	May 23, 2022	8.50%	May 22, 2024	-	Withdrawn
	INE101Q07AJ2*	May 23, 2022	8.90%	May 22, 2024	-	Withdrawn
	INE101Q07AK0	May 23, 2022	9.25%	May 22, 2025	28.69	CARE A-; Stable
	INE101Q07AL8	May 23, 2022	9.50%	May 22, 2026	90.7	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	10.00%	November 10, 2025	49.00	CARE A-; Stable
	INE101Q07AO2	January 12, 2024	10.00%	December 31, 2025	50.00	CARE A-; Stable
	INE101Q07AP9	February 28, 2024	10.00%	February 27, 2026	50.00	CARE A-; Stable
	INE101Q07AQ7	April 25, 2024	10%	April 25, 2027	75.00	CARE A-; Stable
	Proposed	-	-	-	76.00	CARE A-; Stable
Debentures – Non-convertible debentures X	Proposed	-	-	-	300.00	CARE A-; Stable
Commercial paper-Commercial paper (Standalone)	INE101Q14017	June 19, 2024	10%	June 18, 2024	30.00	CARE A1
	Proposed	-	-	-	70.00	CARE A1
Fund-based-Long term					2015.00	CARE A-; Stable

*Company has redeemed the instruments

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	38.78	CARE A-; Stable	1)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-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	85.26	CARE A-; Stable	1)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)
5	Debentures-Non-convertible debentures	LT	127.61	CARE A-; Stable	1)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-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-Apr-24)	1)CARE A-; Stable (07-Dec-23) 2)CARE A-; Stable	1)CARE A-; Stable (12-Aug-22) 2)CARE A-; Stable	1)CARE BBB+; Stable (09-Mar-22)

						(07-Jul-23)	(01-Jul-22)	
8	Fund-based-Long term	LT	2015.00	CARE A-; Stable	1)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) 3)CARE A-; Stable (01-Jul-22)	-
9	Debentures-Non-convertible debentures	LT	300.00	CARE A-; Stable	1)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	100.00	CARE A1	1)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-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 various 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 the lender wise details of bank facilities please [click here](#)

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

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About us:

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