

Muthoot Homefin (India) Limited (Revised)

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	50.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	150.00	CARE AA+; Stable	Reaffirmed
Commercial Paper	500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the various debt instruments of Muthoot Homefin (India) Limited (MHIL) derive strength from its strong parentage of Muthoot Finance Limited (MFL) and benefits from being part of the MFL group which has a long-standing presence in the non-banking financial company (NBFC) business. Ratings also derive strength from the demonstrated funding support from its parent, MHIL's experienced management team, comfortable capitalisation levels, and the group's resource raising ability.

Ratings remain constrained by relatively weaker credit profile of MHIL's borrowers, relatively moderate profitability, moderate asset quality which improved in FY24 and geographically concentrated loan portfolio with limited track record.

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 the credit profile of the parent, MFL.
- Significant improvement in the scale of operations while maintaining healthy asset quality and profitability.

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

- Weakening of the parent's credit profile and/or major dilution in the shareholding.
- Significant deterioration in the non-performing asset on a sustained basis.
- Increase in the gearing beyond 6x.

Analytical approach:

CARE Ratings Limited (CARE Ratings) has analysed standalone credit profile of MHIL and MHIL's linkages with its parent, MFL, in the form of operational, managerial, and financial linkages and a shared brand name.

Outlook: Stable

The stable outlook reflects expectation of continued operational and financial support of its parent, MFL, and benefits from being part of the MFL group, which shall help the entity to scale up leveraging the existing branch network of the parent. The stable outlook also factors in the maintenance of healthy business and financial parameters of MHIL over the medium term

Detailed description of key rating drivers:

Key strengths

Strong parentage and benefits derived from being part of the MFL group

MHIL is MFL's 100% subsidiary as on September 30, 2024. Although the company is relatively smaller in scale (loan book of MHIL comprises ~2% of the loans outstanding of MFL [Standalone] as on March 31, 2024), its business position as an affordable housing finance company makes it strategically important for the group. The company shares MFL's strong brand name and receives operational, managerial and financial support. MHIL shares majority branches across 16 states and union territories (UT) with the parent as on September 30, 2024. It has also benefitted from the capital support in the form of equity infusion of ₹334 crore since inception. The last infusion was in September 2018 of ₹150 crore. In addition, MHIL also has unavailed liquidity

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

support of ₹550 crore (₹300 crore of term loans and ₹250 crore in the form of inter-corporate deposits) from MFL by extension of credit lines.

MFL is the Muthoot group's flagship company. MFL provides loans against gold jewellery in which it holds leadership position. The company also has a presence in affordable housing finance, microfinance, vehicle finance and insurance broking through its subsidiaries. MFL had a nationwide network consisting of standalone branches of 4,855 as on September 30, 2024. As on September 30, 2024, on consolidated basis, its gross loan book stood at ₹1,04,149 crore (September 30, 2023: ₹79,493 crore) and net worth (TNW) of ₹27,273 crore (September 30, 2023: ₹23,402 crore). The company's total capitalisation has remained comfortable at 26.96% as on September 30, 2024 (September 30, 2023: 30.31%). The gross non-performing assets (GNPAs) (Stage III assets) stood at 4.3% as on September 30, 2024 (September 30, 2023: 4.01%). In FY24, MFL reported standalone profit after tax (PAT) at ₹4,050 crore (FY23: ₹3,474 crore) on a total income of ₹12,694 crore (FY23: ₹10,544 crore). The return on average total assets (ROTA) stood at 5.09% in FY24 (FY23: 4.81%). In H1FY25, the company reported standalone PAT of ₹2,330 crore on a total income of ₹7,836 crore with ROTA of 5.00%

Comfortable capitalisation and gearing levels

MHIL is comfortably capitalised with a tangible net worth of ₹493 crore as on September 30, 2024, and ₹476 crore as on March 31, 2024 (March 31, 2023: ₹457 crore). The total capital adequacy ratio (CAR) and Tier-I CAR stood at 30.48% and 29.89% as on September 30, 2024, and 37.50% and 36.9% as on March 31, 2024, respectively, which is well above the regulatory requirement. The gearing stood at 3.69x as on September 30, 2024, and 2.76x as on March 31, 2024, (March 31, 2023: 1.44x). CARE Ratings notes the leverage levels are expected to increase going forward, however, this is to be supported by equity capital infusion by the parent in the near term.

Experienced management

MHIL's board comprises three common members reflecting the managerial linkages with the parent. The members include George Alexander Muthoot, George Thomas Muthoot, and Jose Kurian. MHIL also benefits considering its experienced senior management team, most of whom have vast experience in retail lending space including housing finance. The company's Chief Executive Officer, Alok Aggarwal, has over 20 years of experience in banking and financial services. Pandurang Kadam, the company's Chief Financial Officer has ~20 years of experience in NBFCs and HFCs.

Key weaknesses

Moderate asset quality; despite improving

MHIL is primarily lending to the housing finance needs of the salaried and self-employed customers in the informal low- and middle-income segment with 54% lending towards salaried and the remaining to the self-employed segment as on March 31, 2024. The average ticket size was ~₹11 lakh as on March 31, 2024. This borrower group remains largely susceptible to the economic downturn. MHIL's gross stage 3 assets (GS3) and net stage 3 assets (NS3) stood at 1.88% and 0.57%, respectively, as on March 31, 2024 (March 31, 2023: GS3-4.01%, NS3-1.39%). As on September 30, 2024, MHIL's GS3 and NS3 stood at 1.59% and 0.50% respectively. Improvement in the GS3 levels in FY24 and H1FY25 was considering joint efforts of sales, credit, and collection teams. The company has also started monitoring the early delinquency cases regularly. The one-time restructuring book stood at 1.39% of the assets under management (AUM) as on March 31, 2024 (March 31, 2023: 2.57%). CARE Ratings expects the asset quality to remain moderately vulnerable, although its healthy capitalisation acts as a cushion to absorb credit losses while the parent support is likely to provide the necessary growth capital in times of need.

Limited track record with moderate size of operations, geographically concentrated portfolio

MHIL has been actively disbursing loans since August 2015 thus the track record of business operations stands limited. MHIL's AUM stood at ₹2,035 crore as on March 31, 2024, against ₹1,438 crore as on March 31, 2023, thus witnessing an increase of 42% on year-over-year (y-o-y) basis. As on September 30, 2024, the AUM further grew to ₹2,441 crore. Total disbursements also saw a significant growth of 263% y-o-y from ₹224 crore in FY23 to ₹815 crore in FY24. With the majority disbursements taking place in the last three years, MHIL's loan portfolio remains relatively less seasoned.

As on September 30, 2024, the company has a concentrated geographical presence in Maharashtra (35% of AUM) followed by Gujarat (12% of AUM), and Rajasthan (9% of AUM). However, the company has been actively increasing its footprints in the southern India, which would aide diversification. CARE Ratings would continue to monitor the consistent growth in AUM and maintaining credit quality of the portfolio going forward.

Profitability remains at modest levels

The company's profitability is bolstered by consistent net interest margins (NIM), improving credit costs, however, rising operating expenses led to moderate profitability.

The NIM (adjusted for off-book) improved to 5.03% in FY24 against 4.66% in FY23 considering higher disbursements on a y-o-y basis. The operating expenses to total average assets increased to 4.81% in FY24 against 3.67% in FY23 considering growth in

employee strength and branch network. The operating expenses are expected to stabilise as the scale of operation increases. Credit cost reduced to 0.99% in FY24 against 1.35% in FY23 considering improvement in collections and recoveries. ROTA stood at 0.95% in FY24 against 0.64% in FY23.

In H1FY25, ROTA (%) improved to 1.41% against 1.06% in H1FY24 primarily supported by reduction in credit costs to 0.25% in H1FY25 from 0.88% in H1FY24.

Liquidity: Adequate

As on September 30, 2024, the company's asset liability management (ALM) profile had no negative cumulative mismatches supported by lines of credit aggregating to ₹246 crore. As on September 30, 2024, the company has contractual debt repayments obligations of ₹314 crore up to one year against which the company has contractual inflow from advances of ₹272 crore covering for ~87% obligations up to one year. The company also maintains unencumbered cash and bank balance of ₹46 crore. The company has unutilised lines of credit of ~₹817 crore including ₹550 crore from the parent in the form of term loan (₹300 crore) and ICD (₹250 crore) as on September 30, 2024.

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

MHIL

MHIL is a non-deposit taking housing finance company and has been registered with the National Housing Bank (NHB) on May 19, 2014. The company was incorporated on August 26, 2011, and is the wholly-owned subsidiary of MFL, which is one of India's largest gold financing companies by loan portfolio. Accordingly, MHIL is a part of the group with a legacy of serving customers for over 130 years. The company's AUM stood at ₹2441 crore as on September 30, 2024 (March 31, 2024: ₹2035 crore).

MFL

Muthoot Finance Limited, an NBFC, was originally set up as a private limited company in 1997 and was reconstituted as a public limited company in November 2008. It provides finance against used household gold jewellery. The promoter family has been in this business for over eight decades. In the initial days, the business was carried out under Muthoot Bankers, a partnership firm. Muthoot Finance is the flagship company of the Muthoot group (promoter of Muthoot Finance), which is also in the hospitality, healthcare, media, education, information technology, foreign exchange, insurance distribution, and money transfer businesses.

Brief Financials (₹ crore)	31-03-2023	31-03-2024	H1FY25
	A	A	UA
Total income	155	219	154
PAT	10	18	17
Total assets	1211	1868	2380
Net NPA (%)	1.39	0.57	0.50
ROTA (%) (adjusted for off-book)	0.64	0.95	1.41

A: Audited UA: Unaudited; Note: these are latest available financial results; All ratios are per CARE's calculations

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) - Proposed	-	-	-	-	500.00	CARE A1+
Debentures-Non-convertible debentures	INE652X07126	20-09-2022	8.30%	20-09-2032	50.00	CARE AA+; Stable
Debentures-Non-convertible debentures	INE652X07134	31-05-2023	8.40%	30-05-2033	150.00	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 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	Commercial Paper- Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (04-Jan-24) 2)CARE A1+ (29-May-23)	1)CARE A1+ (06-Mar-23) 2)CARE A1+ (19-Sep-22)	1)CARE A1+ (29-Sep-21)
2	Debentures-Non-convertible debentures	LT	50.00	CARE AA+; Stable	-	1)CARE AA+; Stable (04-Jan-24)	1)CARE AA+; Stable (06-Mar-23)	-

						2)CARE AA+; Stable (29-May-23)	2)CARE AA+; Stable (19-Sep-22)	
3	Debentures-Non-convertible debentures	LT	150.00	CARE AA+; Stable	-	1)CARE AA+; Stable (04-Jan-24) 2)CARE AA+; Stable (29-May-23)	-	-

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

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.

Contact us

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About us:

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