

Mahindra Rural Housing Finance Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Long-term instruments (Sub-Debt)	10.00	CARE AAA; Stable	Assigned
Long-term instruments (Sub-Debt)	290.00	CARE AAA; Stable	Reaffirmed
Long-term instruments (Sub-Debt)	500.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	65.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	7,135.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the debt instruments and issuer rating assignment of Mahindra Rural Housing Finance Limited (MRHFL) factors in its strong parentage of Mahindra & Mahindra Financial Services Limited (MMFSL; rated 'CARE AAA; Stable'), which is a subsidiary of Mahindra and Mahindra Limited (M&M; rated 'CARE AAA; Stable/ CARE A1+') and transition of the company towards affordable segment and monthly EMI repayment structure. As on December 31, 2024, the company has ~ 58% (49% in March 2024) exposure towards affordable segment, with incremental disbursements having monthly EMI structure. The company remains focused on increasing its exposure to the affordable segment and has taken measures towards improving collections and tightening of underwriting norms.

Ratings also reflect the demonstrated financial, operational and managerial support from MMFSL along with benefits from the shared 'Mahindra' brand and branch network of MMFSL. Ratings continue to factor in MRHFL's comfortable capitalisation levels and liquidity profile supported by its strong parentage and resource-raising ability. However, ratings take into account MRHFL's weak asset quality including relatively unseasoned portfolio, its moderate financial performance due to high operating expenses and exposure to geographical concentration and interest rate risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Not applicable

Negative factors

- Moderation in the credit profile of the parent company.
- Significant dilution in the stake by the parent company.
- Deterioration in asset quality parameters with gross stage 3 levels remaining above 20% on a sustained basis.

Analytical approach: CARE Ratings Limited (CARE Ratings) has considered the standalone financial profile of MRHFL, while factoring in the parentage and operational linkages with MMFSL.

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

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that MRHFL will continue receiving operational, managerial, and financial support from its parent MMFSL.

Detailed description of key rating drivers:**Key strengths****Strong parentage of MMFSL and access to its operational, managerial and financial support**

MMFSL, parent company of MRHFL, is one of India's leading vehicle financiers. MRHFL has been receiving regular capital support for its business growth from the parent company over the past years. MRHFL benefits from the managerial support of MMFSL and M&M. MRHFL has access to MMFSL's pan-India branch network and also benefits from the shared 'Mahindra' brand, and rapid growth in the rural and semi-urban areas where MMFSL and M&M have strong presence.

Being part of the Mahindra group, the company enjoys strong financial flexibility and can avail ICDs from MMFSL and other group companies and bank lines which provide comfort, in case of any cashflow mismatches. The company had no negative cumulative mismatches in 0-6 months bracket as on December 31, 2024. The company also has ₹615 crore in the form of cash and bank balance and other liquid investments and unutilised bank lines of ₹610 crore as on December 31, 2024. The company has an unutilised contingency line of ₹900 crore from the parent company.

Comfortable capitalisation level

The parent (MMFSL) has been regularly infusing equity capital in MRHFL helping it grow the business. In FY18 and FY19, MMFSL infused ₹130 crore and ₹150 crore, respectively, to boost MRHFL's capitalisation profile. The company had a gearing of 4.6x as on March 31, 2024, compared to 4.97x as on March 31, 2023. MRHFL reported capital adequacy ratio (CAR) of 40.35% as on March 31, 2024 (Tier-I CAR: 32.99%), compared to 45.12% (Tier-I CAR: 34.95%) as on March 31, 2023, against the regulatory CRAR of 15% indicating sufficient capital cushion. Going forward, CARE Ratings expects the company to maintain strong capitalisation profile and comfortable gearing levels.

Diversified funding profile

As on March 31, 2024, MRHFL had a diversified funding profile with funding from both banks and institutional investors. Overall, contribution from bank funding (including working capital demand loans and cash credit) was at 37%, non-convertible debentures (NCDs) at 47%, subordinated debt at 7% and commercial paper (CP) at 3%. The remaining 6% was in the form of ICDs from the other group companies/other corporate. Being part of the Mahindra group enhances the resource raising ability of the company helping it to raise funds at competitive rates.

Key weaknesses**Weak asset quality**

MRHFL reported Gross Stage 3 (GS3) ratio of 9.03% and net Stage 3 (NS3) ratio of 6.29% as on March 31, 2024, compared to GS3 ratio of 10.46% and NS3 ratio of 7.8% as on March 31, 2023. As on December 31, 2024, the GS3 and NS3 ratio stood at 9.41% and 5.14%, respectively. The company's asset quality is significantly weaker compared to traditional housing finance companies considering exposure mainly to informal sector (low ticket-size loans to agriculturalist and self-employed class). CARE Ratings expects the asset quality to improve as the company would be focusing on affordable housing segment and monthly EMI structure for customers, going forward.

Moderate financial risk profile and high opex model

MRHFL reported profit after tax (PAT) of ₹3.60 crore in FY24 compared to PAT of ₹21.74 crore in FY23. The decrease in PAT was mainly due to decrease in Interest income for the company from ₹1303.71 crore in FY23 to ₹1244.26 crore in FY24. Change in focus towards affordable housing and lending at comparatively lower rates impacted the interest income. Currently, MRHFL has higher opex on account of increase in employee expense which increased from ₹404.43 crore in FY23 to ₹419.25 crore in FY24. Finance cost in FY24 increased in line with industry trend.

With MRHFL's strategic shift from the low -ticket rural housing to the customers with better credit profile & higher-ticket loans in affordable housing segment in semi urban areas and the premium segment in rural geography, the operating expenses are expected to come down as the Company collections are now predominantly through banking and digital channels, reducing the need for higher employees for cash collections. In turn, MRHFL has rationalized the number of branches from 769 in FY23 to 689 in FY24 and further 653 in 9MFY25 which is also expected to help the company in reducing the opex. CARE Ratings expects the credit cost to improve due to better customer profile over the medium term which along with an improvement in opex will help the company in improving its profitability.

Unseasoned portfolio in semi-urban area with geographic concentration and interest rate risk

MRHFL's loan book increased from ₹7,026 crore in December 31, 2023 to ₹7,422 crore in December 31, 2024. 42% of the portfolio as on December 31, 2024, was in the rural segment, whereas 58% of the portfolio, as on December 31, 2024, came from the affordable segment in semi-urban areas where average ticket size is upwards of ₹15 lakh. As on December 31, 2024, ~24% MRHFL's loan portfolio had a ticket size below ₹2 lakh compared to 35% as on March 31, 2024. The loan portfolio continues to be concentrated with majority of MRHFL's loan portfolio in Maharashtra (26%), Tamil Nadu (18%) and Andhra Pradesh (11%) as on December 31, 2024.

Interest rate risk is inherent in the business model of MRHFL principally because of lending to customers at fixed interest rates and in amounts and for tenors, which may differ from its funding sources. However, with addition of affordable housing segment, proportion of fixed interest rates in the portfolio has reduced to 50% in FY24 from 60% in FY23. Given the current interest rate regime, the cost of borrowing for MRHFL has gone up with the incremental cost of borrowing at 7.55-8.70% p.a. currently.

Liquidity: Adequate

The asset liability maturity (ALM) as on December 31, 2024, showed no negative cumulative mismatches in under 6-month bucket. The company also has ₹615 crore in the form of cash and bank balance and other liquid investments and unutilised bank lines of ₹ 610 crore as on December 31, 2024. The company also has access to an unutilised contingency line of ₹900 crore from the parent company.

Applicable criteria[Definition of Default](#)[Factoring Linkages Parent Sub JV Group](#)[Issuer Rating](#)[Rating Outlook and Rating Watch](#)[Financial Ratios - Financial Sector](#)[Housing Finance Companies](#)**About the company and industry****Industry classification**

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

Incorporated in April 2007, Mahindra Rural Housing Finance Limited (MRHFL) is a housing finance company. It provides very low-ticket housing loans with presence predominantly in rural and semi-urban areas. MRHFL is a subsidiary of Mahindra & Mahindra Financial Services Limited (MMFSL; rated 'CARE AAA; Stable'). MMFSL holds 98.43% stake with the remaining 1.57% being held by MRHFL ESOP Trust as on December 31, 2024.

Brief Financials* (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total income	1,350	1,294	901
PAT	22	4	-76
Total Assets	8,607	8,116	NA
Net Stge 3 (%)	7.80	6.29	5.14
ROTA (%)	0.26	0.04	NA

A: Audited UA: Unaudited NA: Not Available; *per IND AS; Total assets are net of deferred tax assets, revaluation reserves and intangible assets. All ratios are per CARE Ratings' calculations. 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

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
Issuer rating	-	-	-	-	-	CARE AAA; Stable
Subordinate debt	INE950O08014	29-Apr-15	9.50%	29-Apr-25	25.00	CARE AAA; Stable
Subordinate debt	INE950O08022	13-Oct-15	9.25%	13-Oct-25	35.00	CARE AAA; Stable
Subordinate debt	INE950O08030	29-Apr-16	9.10%	29-Apr-26	15.00	CARE AAA; Stable
Subordinate debt	INE950O08055	06-May-16	9.10%	06-May-26	15.00	CARE AAA; Stable
Subordinate debt	INE950O08063	18-May-16	9.10%	18-May-26	6.00	CARE AAA; Stable
Subordinate debt	INE950O08071	20-May-16	9.10%	20-May-26	10.00	CARE AAA; Stable
Subordinate debt	INE950O08089	30-May-16	9.10%	29-May-26	4.00	CARE AAA; Stable
Subordinate debt	INE950O08097	25-Jul-16	8.99%	24-Jul-26	25.00	CARE AAA; Stable
Subordinate debt	INE950O08121	19-May-17	8.50%	19-May-27	10.00	CARE AAA; Stable
Subordinate debt	INE950O08139	30-May-17	8.50%	28-May-27	25.00	CARE AAA; Stable
Subordinate debt	INE950O08147	15-Jun-17	8.50%	15-Jun-27	50.00	CARE AAA; Stable
Subordinate debt	INE950O08295	24-Dec-24	8.35%	22-Dec-34	100.00	CARE AAA; Stable
Subordinate debt (proposed)	-	-	-	-	10.00	CARE AAA; Stable
Subordinate debt (proposed)	-	-	-	-	70.00	CARE AAA; Stable
Subordinate debt (proposed)	-	-	-	-	400.00	CARE AAA; Stable
Non-convertible debenture	INE950O07123	27-Mar-17	8.30%	26-Mar-27	10.00	CARE AAA; Stable
Non-convertible debenture	INE950O07487	06-Aug-24	8.25%	03-Aug-29	225.00	CARE AAA; Stable
Non-convertible debenture	INE950O07461	10-Jul-24	8.35%	22-Jul-29	100.00	CARE AAA; Stable
Non-convertible debenture	INE950O07461	24-Jun-24	8.35%	22-Jun-29	100.00	CARE AAA; Stable
Non-convertible debenture	INE950O07446	28-Feb-24	8.41%	28-Feb-29	250.00	CARE AAA; Stable
Non-convertible debenture (proposed)	-	-	-	-	6,515	CARE AAA; 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	Issuer Rating-Issuer Ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (09-Oct-24) 2)CARE AAA; Stable (20-Jun-24)	1)CARE AAA; Stable (04-Oct-23) 2)CARE AAA; Stable (11-Sep-23)	1)CARE AA+; Stable (26-Dec-22) 2)CARE AA+ (Is); Stable (04-Oct-22)	1)CARE AA+ (Is); Stable (06-Oct-21)
2	Debt-Subordinate Debt	LT	290.00	CARE AAA; Stable	1)CARE AAA; Stable (09-Oct-24) 2)CARE AAA; Stable (20-Jun-24)	1)CARE AAA; Stable (04-Oct-23) 2)CARE AAA; Stable (11-Sep-23)	1)CARE AA+; Stable (04-Oct-22)	1)CARE AA+; Stable (06-Oct-21)
3	Debentures-Non-convertible debentures	LT	65.00	CARE AAA; Stable	1)CARE AAA; Stable (09-Oct-24) 2)CARE AAA; Stable (20-Jun-24)	1)CARE AAA; Stable (04-Oct-23) 2)CARE AAA; Stable (11-Sep-23)	1)CARE AA+; Stable (04-Oct-22)	1)CARE AA+; Stable (06-Oct-21)
4	Debentures-Non-convertible debentures	LT	7135.00	CARE AAA; Stable	1)CARE AAA; Stable (09-Oct-24) 2)CARE AAA; Stable (20-Jun-24)	1)CARE AAA; Stable (04-Oct-23)	-	-
5	Debt-Subordinate Debt	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable	-	-	-

					(09-Oct-24) 2)CARE AAA; Stable (20-Jun-24)			
6	Debt-Subordinate Debt	LT	10.00	CARE AAA; Stable	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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	Debentures-Non-convertible debentures	Simple
2	Debt-Subordinate Debt	Complex

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.

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About us:

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