

Micro Units Development and Refinance Agency Limited

March 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	8,000.00	CARE AAA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Micro Units Development and Refinance Agency Limited (MUDRA) are primarily driven by its strong parentage and strategic role in development of micro enterprise sector through Government of India's (GoI) flagship programme - Pradhan Mantri MUDRA Yojana (PMMY). As a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI), MUDRA benefits from the operational and managerial support of SIDBI, including representation on its board ensuring alignment with MSME sector goals. Ratings factor in GoI's and Reserve Bank of India's (RBI) support through budgetary allocations. Ratings factor in healthy capitalisation metrics, comfortable asset quality, and comfortable liquidity constrained by moderate earnings profile and concentrated exposure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable

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

- Any material changes in ownership, the government support and/or strategic role played by MUDRA in supporting the Micro enterprise sector.
- Deterioration in the credit profile of the parent, SIDBI.
- Deterioration in MUDRA's asset quality with gross non-performing asset (GNPA) ratio increasing to more than 3% of the total advances.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has adopted standalone approach for analysing MUDRA, factoring in linkages and expected support from SIDBI/GoI as the nodal agency for development of micro enterprises in India.

Outlook: Stable

The stable outlook reflects ongoing support from the GoI/SIDBI, and MUDRA's strong capital position, asset quality, and continued role as the nodal agency for refinancing institutions that fund micro and small businesses under PMMY.

Detailed description of key rating drivers:

Key strengths

Strong parentage and strategic role in development of micro enterprise sector

MUDRA, a non-banking finance company (NBFC) established in 2015, is a wholly owned subsidiary of SIDBI (rated 'CARE AAA/CARE A1+'), focuses on enhancing institutional credit for micro enterprises, a key economic segment after agriculture. It plays a vital role in financial inclusion by refinancing to banks, NBFCs, and MFIs (Member Lending Institutions – MLIs) for loans up to ₹20 lakh under GoI's flagship programme - PMMY. MUDRA also supports micro businesses through the Micro Credit Scheme, offering loans via MLIs. Its operations align with SIDBI's mission of MSME growth, benefiting from SIDBI's managerial and operational support, including board representation, including the chairman, Manoj Mittal, who is also the CMD of SIDBI.

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

The GoI exercises significant oversight of MUDRA through SIDBI and also has representation as nominee directors on board of MUDRA. With SIDBI/GoI-nominated directors, MUDRA is expected to receive continued capital and managerial support aligned with government policy. A key low-cost funding source is the MUDRA refinance fund (Priority Sector Shortfall fund), allocated by the RBI in consultation with the GoI.

CARE Ratings expects the GoI to maintain strong control over MUDRA through SIDBI, with the government having significant influence on its policy, implementation, and strategic decisions.

Healthy capitalisation levels

MUDRA's healthy capitalisation is reflected in its standalone net worth of ₹4,512 crore as on September 30, 2024, against ₹4,033 crore as on March 31, 2024. MUDRA accepts priority sector shortfall deposits (PSS) from banks and is currently the only constituent in resource profile. The deposits as on September 30, 2024, stood at ₹29,113 crore resulting in a gearing of 6.45x. MUDRA maintains sufficient capital adequacy ratio (CAR) of 121.47% as on September 30, 2024, and 81.47% as on March 31, 2024, due to applicability of zero risk weight on refinance to banks per RBI.

CARE Ratings expects timely need-based capital support from GoI, directly or through SIDBI.

Comfortable asset quality

MUDRA's asset quality has remained stable, with 100% of portfolio in indirect financing (banks, NBFCs and pass-through certificate) as on September 30, 2024. GNPA and net NPA (NNPA) ratios stood stable at 0.09% and 0.00%, respectively, as on September 30, 2024 (in FY24, GNPA: 0.07% NNPA: 0.00%). MUDRA's gross non-performing assets (GNPAs) decreased to ₹21.68 crore from ₹21.76 crore, in FY24 due to write-off of an NPA account and remained at ₹21.68 crore in H1FY25.

CARE Ratings expects MUDRA's asset quality to remain strong as its exposure is primarily in indirect finance majorly, which comprises banks and high-rated NBFCs, and no exposure in the direct financing segment.

Key weaknesses

Moderate earnings profile

MUDRA's earnings profile, particularly its return on total assets (RoTA), remains constrained due to the cap on refinancing margins for funds raised through deposit and the significant share of deposits in its overall liabilities.

Its earnings primarily come from interest on loans and pass-through certificate (H1FY25: 71%; FY24: 56%), and interest on fixed deposit and minimal fee-based income. In FY24, net interest income rose by 64% year-on-year to ₹1,271 crore, driven by a 34% increase in loans and 110 basis points rise in net interest margin (NIM). In H1FY25, net interest income grew to ₹613 crore, supported by 117 basis points increase in the average interest yield on advances. MUDRA's profitability is expected to remain moderate in the medium term.

As on September 30, 2024, the advances stood at ₹24,696 crore while annualised net income margin (NIM) and RoTA stood at 3.36% and 2.73%, respectively, aided by lower opex and credit costs. While RBI regulations on MUDRA refinance fund and MUDRA's refinancing margins limit any significant NIM expansion, they help ensure affordable refinance access for primary lending institutions.

Concentrated exposures

The concentration of top 10 exposures in the total exposure remained high at 74% as on September 30, 2024 (72% as on March 31, 2024). As on March 31, 2024, refinance to all types of banks continued to form the highest share of the total portfolio at 83%, followed by NBFCs (7%) and MFIs (8%). Share of refinancing to banks increased, while NBFCs and MFIs reduced, from FY23 to FY24. Refinancing to banks remained the highest in H1FY25 as well.

CARE Ratings expects that concentrated exposure risk is mitigated by low credit risk associated with bank refinance portfolios.

Liquidity: Strong

MUDRA's liquidity profile is strong as major portion of its loan book comprises refinance book with average period being three years, which is funded through deposits. The asset and liability management (ALM) statement as on December 31, 2024, exhibits no cumulative mismatches.

As on September 30, 2024, cash and bank balances which includes investments in fixed deposits, was ₹9,101 crore. This excludes scheduled collections, while scheduled debt obligations for the next six months stood at ₹4,960 crore.

Furthermore, comfort is derived from the parentage of SIDBI due to its status as an apex financial institution, and that it is owned by GoI and its entities, which further strengthens its liquidity position.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

MUDRA is an NBFC registered with RBI, supporting development of micro enterprise sector in the country. MUDRA is a wholly owned subsidiary of SIDBI. MUDRA provides refinance support to banks / MFIs / NBFCs for lending to micro units having loan requirement up to ₹20 lakh under the PMMY Scheme. MUDRA also offers funding through the Micro Credit Scheme, mainly through MLIs, for micro enterprise / small business activities.

Standalone financials of MUDRA:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total income	1,537.20	2,307.07	1,200.07
PAT	577.45	813.92	497.97
Gearing (times)	10.65	8.76	6.45
Total assets [#]	38,438.75	39,372.02	33,641.59
Net NPA (%)	0.00	0.00	0.00
ROTA (%) [#]	1.62	2.09	2.73*

A: Audited UA: Unaudited; Note: these are latest available financial results

[#] Based on calculation of CARE Ratings

* Annualised

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
Fund-based/Non-fund-based-LT/ST*	-	-	-	-	4,950.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST (Proposed)	-	-	-	-	3,050.00	CARE AAA; Stable / CARE A1+

*The amount is sanctioned, and hence the maturity date for term loan is not mentioned.

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	Fund-based/Non-fund-based-LT/ST	LT/ST	8,000.00	CARE AAA; Stable / CARE A1+				

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	Fund-based/Non-fund-based-LT/ST	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 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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