

NOVEMBER 21, 2016
CARE ASSIGNS 'CARE A' RATING TO THE BANK FACILITIES OF
MUTHOOT FINCORP LIMITED
Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	3,000	CARE A (Single A)	Assigned
Total Facilities	3,000 (Rupees Three Thousand crore only)		

Rating Rationale

The rating assigned to the bank facilities of Muthoot Fincorp Limited (MFL) factors in the long track record of operations of the company, its established market position as one of the larger players in the gold loan industry, experienced promoters & management team, adequate capitalisation level and comfortable liquidity profile. The rating is, however, constrained by relatively low profitability, moderate asset quality, exposure to group entities by way of loans and advances, exposure to price risk of gold and geographical concentration of the loan portfolio.

The ability of the company to improve profitability and asset quality while increasing the scale of operations, improve Tier I CAR, any significant increase in exposure to real estate and any change in the regulatory scenario are the key rating sensitivities.

Background

MFL is a NBFC registered with RBI as non- deposit accepting loan company, headquartered in Trivandrum. MFL is the flagship company of Kerala-based Muthoot Pappachan Group. MFL was originally incorporated as Muthoot Debt Management Services Ltd in 1997 and the name was changed to the current form in 1997. Muthoot Pappachan group was founded in 1927 as a chit fund company and currently operates in various sectors including financial services, wind power, automobiles and hospitality and infrastructure development. As on March 31, 2016, the promoters held 79% stake in the company with rest being held by family members of the promoters.

The company extends loan against used jewelry/ gold ornaments and it constituted around 77% of gross loans as on March 31, 2016. Besides, the company also engaged in lending microfinance and SME loans and it constitutes 12% and 11% of gross loans, respectively, as on March 31, 2016. The company has gross loans of Rs.8,907 crore and operates through 3,645 branches spread across 17 states/Union territories as on March 31, 2016.

During FY16 (refers to the period April 1 to March 31), the company's total income was Rs.2,085 crore as against the total income of Rs.2,039 crore in FY15. The company registered a PAT of Rs.87 crore in FY16 as against Rs.84 crore in FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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