May 28, 2025

Muthoot Homefin (India) Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	500.00	500.00	[ICRA]A1+; reaffirmed
Total	**500.00**	**500.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating considers ICRA's expectation that Muthoot Homefin (India) Limited (MHIL) will continue to receive strategic and financial support from its parent, Muthoot Finance Limited (MFL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), which held a 100% stake in the company as on March 31, 2025. This includes board-level oversight, operational infrastructure, liquidity support, and equity or debt funding as required. MHIL also benefits from the shared brand name and the ability to leverage MFL's extensive branch network and customer base to support its geographical expansion.

The rating also factors in the continued improvement in MHIL's scale and asset quality while maintaining an adequate capitalisation profile. Given the relatively moderate scale, the company grew at a higher pace and reported assets under management (AUM) of Rs. 2,985 crore as on March 31, 2025 (47% growth in FY2025; 42% growth in FY2024). Further, the reported asset quality has improved with the gross non-performing assets (NPAs) declining to 1.2% as on March 31, 2025 from 1.9% as on March 31, 2024, driven by write-offs, recoveries and limited incremental slippages. The capitalisation profile is characterised by a capital-to-risk weighted assets ratio (CRAR) of 23.2% and a managed gearing of 4.9 times as on March 31, 2025. However, in light of the company's growth plans, ICRA expects MHIL to raise equity capital in the near term to maintain a prudent capitalisation profile while further scaling up its operations.

ICRA takes note of the company's moderate, albeit improving, earnings profile with a return of 1.4% on average managed assets (AMA) and 8.0% on average net worth in FY2025 (0.9% and 4.0%, respectively, in FY2024). The improvement was driven by gains on direct assignment transactions and recoveries from written-off loans. However, elevated operating expenses attributable to branch expansion and increased hiring and employee costs continue to weigh on the profitability. ICRA expects MHIL's operating efficiency to improve, going forward, as it scales up its operations.

Key rating drivers and their description

Credit strengths

Expectation of support from MFL – MHIL derives significant strategic and operational advantages from its strong parentage. MFL continues to demonstrate significant commitment in the form of capital support, a shared brand name and operational infrastructure. Additionally, MHIL benefits from oversight at the board level. MFL has infused Rs. 334-crore equity capital into the company till date. Further, it has extended liquidity support of Rs. 550 crore in the form of inter-corporate deposits and term loans, which are available as on-tap facilities. The Muthoot brand further enhances MHIL's credibility and enables it to leverage the Group's established franchise value while expanding geographically.

Adequate capitalisation profile – MHIL's capitalisation profile remains adequate with a CRAR of 23.16% as on March 31, 2025 (37.50% as on March 31, 2024). The managed gearing increased to 4.9 times as on March 31, 2025 from 3.8 times as on March 31, 2024. Given the high pace of growth (AUM grew by 47% in FY2025) vis-à-vis moderate internal accruals, the company's leverage continues to increase. In light of its planned growth trajectory, MHIL is expected to raise equity capital in the near term to sustain a prudent capitalisation profile. ICRA expects support from the parent to be forthcoming when required.

Improved asset quality metrics, notwithstanding limited portfolio seasoning – The company's asset quality indicators improved with the gross NPAs declining to 1.2% as on March 31, 2025 from 1.9% as on March 31, 2024, driven by write-offs, recoveries and limited slippages. MHIL had written off ~Rs. 10 crore of NPAs in FY2025 while maintaining a low slippage rate of 0.5%. The net NPAs also moderated to 0.5% from 0.6% during this period. MHIL's standard restructured portfolio declined to 0.8% of its on-book portfolio as on March 31, 2025 from 1.4% as on March 31, 2024. While the asset quality indicators improved, the portfolio remains relatively unseasoned with the majority of the loans sourced in the past 2-3 years. Given the envisaged growth and limited portfolio seasoning, the company's ability to maintain the asset quality and control slippages remains monitorable.

Credit challenges

Moderate earnings profile – The company reported a net profit of Rs. 39 crore in FY2025, translating to a moderate return of 1.4% on AMA and 8.0% on average net worth (Rs. 18 crore, 0.9% and 4.0%, respectively, in FY2024). While MHIL's earnings profile showed signs of improvement in FY2025, it remains constrained by elevated operating expenses. The earnings were supported by higher income from direct assignments, driven by a 26% expansion in the off-book portfolio. However, operating expenses remained high at 5.0% of AMA in FY2025 (4.7% in FY2024), primarily due to branch expansion and increased employee-related costs, impacting the overall profitability. Credit costs were negative in FY2025 due to higher recoveries from the written-off loan pool. ICRA expects MHIL's earnings profile to improve gradually as its further scales up its operations.

Relatively vulnerable borrower profile – MHIL's lending activities are primarily directed toward the low- and middle-income segments, comprising both salaried individuals and self-employed professionals. These borrower groups tend to be more susceptible to economic fluctuations and generally possess limited financial buffers to withstand income disruptions. Consequently, delinquencies, particularly in the early-stage (softer) buckets, are expected to exhibit some volatility. The company's ability to proactively manage and resolve these early delinquencies, thereby preventing their progression into more severe stages, will remain a key monitorable. Nevertheless, given the secured nature of MHIL's loan portfolio and its moderate loan-to-value (LTV) ratios, the potential loss in the event of default is expected to be contained.

Liquidity position: Adequate

As on March 31, 2025, MHIL held Rs. 102 crore of free cash and liquid investments. This, along with scheduled collections of Rs. 333 crore till March 31, 2026, is sufficient to service its scheduled debt obligations of Rs. 340 crore in a timely manner during this period. The liquidity profile is supported by the presence of ~Rs. 800-crore sanctioned but unutilised funding lines, including Rs. 550 crore of unavailed lines from MFL. ICRA expects support from MFL to be forthcoming if needed.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Inadequate support from the parent and/or a deterioration in the credit profile of the parent could exert pressure on MHIL's rating. Additionally, a deterioration in its financial flexibility and the weakening of its liquidity profile could impact its rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs)]
Parent/Group support	Parent/Investor: MFL; ICRA factors in financial, managerial and operational support from the parent, driven by strategic and reputational considerations. Also, MFL and MHIL share a common brand name
Consolidation/Standalone	Standalone

About the company

MHIL is registered as a housing finance company (HFC) with National Housing Bank (NHB). It provides housing loans to the lower-and-middle-income segments. Incorporated in 2011, MHIL is a wholly-owned subsidiary of Muthoot Finance Limited (MFL). As on March 31, 2025, the company had operations across 16 states/Union Territories. It focusses on retail housing loans with an average ticket size of ~Rs. 12 lakh. MHIL reported a profit after (PAT) of Rs. 39 crore in FY2025 on total assets under management (AUM) of Rs. 2,985 crore as on March 31, 2025 against PAT of Rs. 18.5 crore in FY2024 and AUM of Rs. 2,035 crore as on March 31, 2024.

Muthoot Finance Limited

Muthoot Finance Limited (MFL) is the flagship company of the Kerala-based business house, The Muthoot Group, which has diversified operations in financial services, healthcare, education and hospitality. MFL was incorporated in 1997 and is India's largest gold loan focussed NBFC with total loan assets (standalone) of Rs. 1,08,648 crore and 4,855 branches as of March 2025. The company derives a major portion of its business from South India (47% of the total gold loan portfolio as of March 2025), where gold loans have traditionally been accepted as a means of availing short-term credit, although it has increased its presence beyond South India over the years.

Key financial indicators

Muthoot Homefin (India) Limited	FY2023	FY2024	FY2025
Accounting as per	Ind-AS	Ind-AS	Ind-AS
	Audited	Audited	Audited
Total income	143	204	334
Profit after tax	10	18	39
Total managed assets	1,598	2,379	3,269
Return on average managed assets	0.6%	0.9%	1.4%
Managed gearing (times)	2.3	3.8	4.9
Gross NPA	4.0%	1.9%	1.2%
CRAR	62.9%	37.5%	23.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Total managed assets = Total assets + Impairment allowance + Off-book portfolio; Managed gearing = (On-book debt + Off-book portfolio)/Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				May 28, 2025	May 30, 2024	May 18, 2023	May 20, 2022
1	Commercial paper programme	Short term	500	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity indicator
Commercial paper programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
Yet to be issued	**Commercial paper programme**	NA	NA	NA	500.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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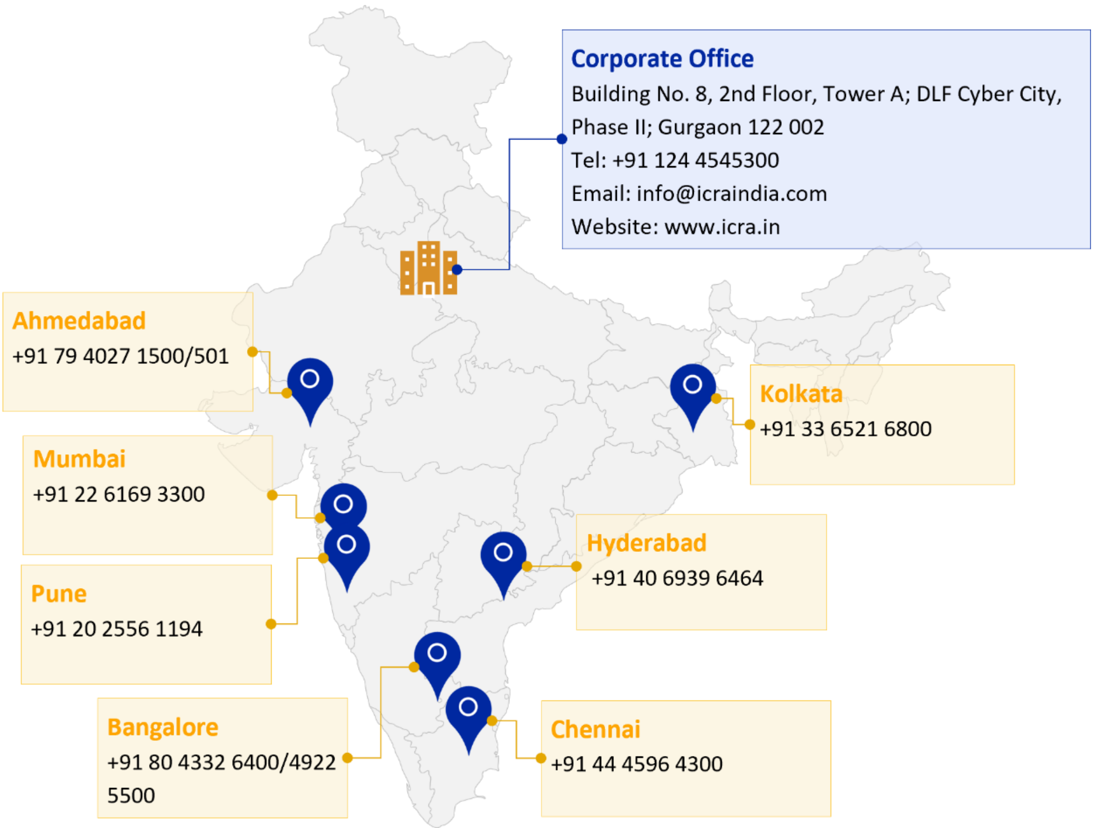

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