March 27, 2025

Muthoottu Mini Financiers Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Non-Convertible debenture programme (public placement)	200.00	[ICRA]A (Stable); assigned
Non-Convertible debenture programme	500.00	[ICRA]A (Stable); assigned
Long-term fund-based/Non-fund based bank Facilities	3050.00	[ICRA]A (Stable); assigned
Total	**3750.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in Muthoottu Mini Financiers Limited's (MMFL) established brand and its long track record in the gold loan[1] business. It also considers the company's comfortable asset quality and the steadily improving earnings profile over the past few years.

MMFL has a moderate scale of operations with a loan portfolio of Rs. 3,816.2 crore as of December 2024. Its operations are geographically concentrated, with South India contributing 95.4% to the loan portfolio as of December 2024. Over the years, MMFL's asset quality has remained healthy with limited credit costs in the gold loan segment. As of December 2024, gold loans constituted 92.1% of the loan portfolio with microfinance accounting for 7.8%. The share of microfinance is expected to remain below 10% of the portfolio on a steady-state basis. The company has been gradually shifting to smaller ticket (89.6% of loans had a ticket size of less than Rs. 3 lakh as of December 2024 vis-à-vis 75.4% as of March 2023) and higher-yielding loans in the gold loan segment over the last two years, which has supported an improvement in its earnings performance.

MMFL's gearing stood at 4.9x as of December 2024 (5.1x as of March 2024). In the past few years, portfolio growth was largely supported by internal accruals. While MMFL's capitalisation is sufficient to meet its near-term growth target, it would require a further capital raise to manage its medium-term growth expectations. ICRA expects the company to maintain its leverage below 6x over the medium term.

ICRA notes that the Reserve Bank of India, vide its circular dated September 2024, had highlighted various irregular practices in the gold loan business. Further regulatory actions in this segment, if any, and the possible impact of the same shall remain monitorable.

The Stable outlook reflects ICRA's expectation that MMFL's credit profile would continue to be supported in the near term by steady asset quality and an adequate earnings profile.

[1] Loan against household gold jewellery

Key rating drivers and their description

Credit strengths

Long track record of operations – The Muthoottu Group has a track record of more than six decades in the gold loan business. MMFL, the flagship company of the Group, was established in 1998. As such, the promoters have a long-standing track record in the business. The senior management is also experienced and handles the day-to-day operations of the company. The loan portfolio stood at Rs. 3,816.2 crore as of December 2024, with gold loans, microfinance and loan against property (LAP) comprising 92.1%, 7.8%, and 0.1%, respectively. As of December 2024, MMFL had a pan-India network of 921 branches, spread across 12 states/Union Territories (UTs) with 5,335 employees. The strong brand value of Mini Muthoottu, its experienced promoters and senior management team are expected to support business growth as it targets growth at a compound annual growth rate (CAGR) of 25% over the next 3-4 years.

Comfortable asset quality – MMFL's asset quality has remained healthy over the last few years; its gross stage 3 was at a healthy level of 0.9% as of March 2024. The company's gold loan portfolio mainly consists of loans with tenors of 6-9 months. It carries out the auction of pledged gold after following the due processes if the borrowers fail to repay the loans. Given the liquid nature of gold as security, MMFL has faced limited credit losses in its gold loan segment in the past. ICRA notes that the company has adequate mechanisms for marking-to-market the value of the jewellery, in line with gold price fluctuations, providing adequate security cover for its loan portfolio. MMFL's auction recoveries ranged between 95% and 105% in the past four years.

The company has faced some uptick in delinquencies in the current fiscal, with its overall 90+ days past due (dpd) increasing to 1.2% as of December 2024. The 90+ dpd in the gold loan segment increased to 0.9% as of December 2024 from 0.7% as of March 2024 as MMFL has extended the auction period, based on requests from customers, wherever the loan-to-value (LTV) is comfortable. The microfinance segment was impacted in the current fiscal year, which is in line with the overall sectoral performance trends. The 90+ dpd in this segment increased to 5.0% as of December 2024 from 2.2% as of March 2024. The company had also written off certain legacy loans of Rs. 1.5 crore (0.4% of opening microfinance portfolio on an annualised basis) in 9M FY2025. While the near-term performance of the microfinance segment would be monitorable, MMFL's overall asset quality would not be significantly impacted, given the small share of the segment in its total portfolio.

Adequate capitalisation profile – MMFL's leverage has remained range-bound over the last few years; its gearing stood at 4.9x as of December 2024 (5.1x as of March 2024) vis-à-vis 5.1x in FY2023 with internal accruals largely supporting portfolio growth. Its capital adequacy ratio was adequate at 23.5% as of December 2024 (Tier I capital of 17.5%) vis-à-vis 23.9% as of March 2024 (Tier I capital of 16.9%). ICRA notes that sizeable, fixed assets are deployed in land and office buildings (Rs. 167.5 crore; 4.4% as of December 2024). MMFL receives rental income from leased-out portions of its head office building. ICRA also notes that the company provides considerable cash collateral for its borrowings in addition to securities in the form of personal guarantees from promoters and other assets, including loan receivables, fixed assets, etc. As of December 2024, the cash collateral for its borrowings stood at ~Rs. 460.3 crore (9.9% of the total assets).

The company envisages to grow its portfolio at a CAGR of 25% over the medium term. While MMFL's capitalisation is adequate for its near-term growth requirements, it would need a further capital raise to achieve its medium-term growth target. The company is in discussions with potential investors for a capital raise in FY2026. ICRA expects MMFL to maintain its managed gearing below 6x over the next three years.

Steadily improving earnings performance; there is however further scope for improvement – MMFL's net profitability has been increasing over the past four years, with its profit after tax/average managed assets (PAT/AMA) improving to 1.9% in FY2024 and 2.2% in 9M FY2025 from 1.6% in FY2022. This was supported by the steady expansion of the interest margins as the company has increasingly reduced its share of low-ticket gold loans. Operating expenses, as a proportion of AMA, also rose to 5.5% in 9M FY2025 from 5.1% in FY2024 (4.8% in FY2022) with MMFL focusing on steadily expanding its operating infrastructure. Credit costs remained under control in the past, given the limited credit risk in the gold loan segment. However, the company undertook write-offs of Rs. 1.5 crore from certain legacy microfinance loans in 9M FY2025, leading to an increase in the credit costs to 0.4% of AMA. Nevertheless, ICRA expects credit costs to remain under control going forward, given the small share of the microfinance segment in MMFL's portfolio.

Going forward, there is further scope for improvement in MMFL's net profitability with enhanced operating efficiency. The company's gold assets under management (AUM) per gold branch stood at Rs. 3.8 crore as of December 2024 (Rs. 3.6 crore in March 2024), suggesting scope for improvement in the operational efficiency. It anticipates achieving an AUM of Rs. 5 crore per branch in the near term.

Credit challenges

Moderate scale; highly competitive gold loan business – The company's portfolio grew by 8.0% in FY2024 vis-à-vis 30.6% in FY2023; the growth in 9M FY2025 was also moderate at 8.3%. The slower growth witnessed in the recent past was due to the shifting of the focus towards lower-ticket loans. MMFL's loan portfolio stood at Rs. 3,816.2 crore as of December 2024. While the gold loan segment is the predominant focus of the company, it has a small presence in the microfinance and LAP segments, though operations in these segments are restricted to Kerala. On a steady-state basis, MMFL intends to limit its exposure to the microfinance segment to less than 10% of its loan portfolio, going forward.

As of December 2024, MMFL had a network of 921 branches spread across 12 states/UTs with 5,335 employees. The company expects to open 30-50 branches annually over the next few years, which would support a scale-up of its operations. However, ICRA notes that the gold loan segment is highly competitive with the presence of many well-established non-banking financial companies (NBFCs). Further, the segment is witnessing increasing focus from banks as well as many large NBFCs, which are expanding their presence.

Geographically concentrated operations – MMFL's portfolio is significantly concentrated in southern India. As of December 2024, Tamil Nadu was the top contributing state with a 33.3% share in the total portfolio. South India (Tamil Nadu, Kerala, Karnataka, Andhra Pradesh and Telangana) contributed 95.4% to the portfolio. Going forward, the company is expected to steadily expand its presence in North and West India. However, the ramp-up of the portfolio in these locations would be gradual over the medium term.

Liquidity position: Adequate

The asset-liability maturity (ALM) profile, as of December 2024, reflected positive cumulative mismatches across all buckets. As on February 28, 2025, the company was carrying unencumbered on-book liquidity of Rs. 88.9 crore and unutilised bank lines of Rs. 64.6 crore. It has scheduled debt obligations of Rs. 539.2 crore from March 2025 till May 2025. With sizeable monthly average collections of about Rs. 700 crore from the borrowers, the liquidity position is expected to be adequate.

Rating sensitivities

Positive factors – The sustained scale-up of operations and an improvement in the earnings profile would positively impact MMFL's credit profile. A significant improvement in the capitalisation profile would also positively impact the rating.

Negative factors – Pressure on the rating could arise in case of a sustained weakening in the company's asset quality performance or earnings profile (return on managed assets (RoMA) of less than 1.5%). A sustained increase in the managed gearing beyond 6x would also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies
Parent/Group support	-
Consolidation/Standalone	Standalone

About the company

Muthoottu Mini Financiers Limited, founded in 1998, has been actively involved in the gold loan sector for an extended period. As of December 2024, it had a presence in 12 states and Union Territories through 921 branches. Additionally, the company has a small presence in the microfinance sector in Kerala, offering unsecured loans to women's joint liability groups. MMFL is wholly owned by the promoters and promoter-held entities (including Muthoottu Mini Hotels Pvt. Ltd., Mini Muthoottu Credit India Pvt. Ltd., Muthoottu Mini Theatres Pvt. Ltd., and Muthoottu Infotech Pvt. Ltd). As of December 2024, the gold loan segment accounted for 92.1% of the total loan portfolio. The company is expanding its geographical footprint by establishing new branches in Mumbai, Gujarat, and Delhi NCR.

Key financial indicators

MMFL	FY2023	FY2024	9M FY2025
Total income	544.4	671.8	595.4
PAT	67.3	77.8	74.7
Total managed assets	3,876.9	4,340.3	4,684.0
Return on managed assets	1.9%	1.9%	2.2%
Managed gearing (times)	5.1	5.1	4.9
Gross stage 3	0.4%	0.9%	1.2%
CRAR	22.8%	23.9%	23.5%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	March 27, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based/Non-fund based bank limits-others	Long term	3050.00	[ICRA]A (Stable)	-	-	-	-	-	-
NCD-Public Placement	Long term	200.00	[ICRA]A (Stable)	-	-	-	-	-	-
NCD	Long term	500.00	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/Non-fund based bank Facilities	Simple
NCD Programme	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term fund-based/Non-fund based bank limits-others**	Feb-2022 to Mar-2025	8.25% - 11.60%	Mar-2025 to Sep-2028	3050.00	[ICRA]A (Stable)
Not yet placed	**NCD (Public)**	NA	NA	NA	200.00	[ICRA]A (Stable)
Not yet placed	**NCD**	NA	NA	NA	500.00	[ICRA]A (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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