RATING RATIONALE

12 Sep 2025

Muthoot Fincorp Ltd

Brickwork Ratings upgrades the rating of Subordinated debt of Rs. 100 Crs at BWR AA/Stable, reaffirms the rating of Innovative Perpetual Debt Instruments (IPDI) of Rs. 374 Crs at BWR A+/Stable and Assigns the rating of proposed Subordinated debt of Rs. 200 Crs at BWR AA/Stable of Muthoot Fincorp Ltd.

Particulars:

Instruments#	Amount Rated (Rs. Crs.)		Tenure	Rating	
	Previous	Present		Previous (04 April 2025)	Present
Subordinated Debt	50.00	**50.00**	Long Term	BWR AA-/Stable (Reaffirmation)	**BWR AA/Stable (Upgraded)**
Subordinated Debt	50.00	**50.00**	Long Term	BWR AA-/Stable (Reaffirmation)	**BWR AA/Stable (Upgraded)**
IPDI	374.00	**374**	Long Term	BWR A+/Stable (Reaffirmation)	**BWR A+/Stable (Reaffirmation)**
Sub Total	*474.00*	***474.00***			
Proposed Sub Debt	0.00	**200.00**	Long Term	-	**BWR AA/Stable (Assigned)**
Sub Total	*0.00*	***200.00***	**-**	**-**	-
Total	474.00	**674.00**		**Rupees Six hundred and seventy four crores only.**	

*Please refer to BWR website **www.brickworkratings.com/** for the definition of the ratings
**Withdrawal of Rating is on account of due redemption in full as confirmed by the Debenture Trustee
#Details of instruments are provided in Annexures – I to IV

RATING ACTION/OUTLOOK: UPGRADE/REAFFIRM/ASSIGNMENT/STABLE
Brickwork Ratings upgrades the rating of Subordinated debt of Rs. 100 Crs at BWR AA/Stable, reaffirms the rating of Innovative Perpetual Debt Instruments (IPDI) of Rs. 374 Crs at BWR A+/Stable and Assigns the rating of proposed Subordinated debt of Rs. 200 Crs at BWR AA/Stable of Muthoot Fincorp Ltd. as tabulated above.
The rating action of upgrade and assignment for subordinated tier II bonds issue necessarily factors in the improvement in asset quality, the substantial growth in assets under management, for stable earnings, continued strong liquidity profile of the company coupled with continued diversified resource profile. The reaffirmation of rating for the IPDI factors in the capitalisation levels of the company wherein the CRAR is expected to be maintained between 18-20%. The key factors for the PDI is the current levels of capitalisation levels. BWR expects the company to maintain healthy CRARs with substantial buffers, to strengthen the PDI ratings.

Notwithstanding aforesaid, BWR also continues to factor in the company's existence of over 85 years, the experience of the promoters and management team, long track record and established market position in the gold loan industry continue to provide additional comfort. The rating is, however, constrained by the moderate gearing levels and any volatility in the prices downwards impacting the majority of its underlying portfolio, the gold loan segment.

KEY COVENANTS OF THE EXISTING INSTRUMENT/FACILITY RATED:

1. The rating of the Company is downgraded to 'BBB+' or below by any of the rating agency or the rating agency classifies the Company as 'Issuer not co-operating'.
2. The rating of the Debentures is downgraded to 'AA-(CE)' or below, by any of the rating agencies, provided that in the event there are multiple ratings for the Debentures, the lowest of all available ratings of the Debentures shall be considered.
3. The capital adequacy ratio of the Company, calculated in accordance with RBI guidelines, falling below 16% (Sixteen Percent).
4. The gross non-performing assets of the Company computed in the manner prescribed by RBI, forming part of the Company's AUM, crossing 6% (Six Percent) of its AUM.
5. If the aggregate equity shareholding of the Promoters in the Company falls below 51% (Fifty One Percent).
6. Failure of the Company to comply with any of the covenants set out under any of the Debenture Documents (other than breach of any certified covenant, set out under any of the Debenture Documents) or under any of the Assignment Documents (the breach of which, if capable of being remedied, has not been remedied to the satisfaction of the Debenture Trustee, within a maximum period of 30 (Thirty) days from its occurrence).

Innovative Perpetual Debt Instruments - The redemption of these bonds can be made with the approval of the RBI, with the company having a call option at the end of 10 years from the date of allotment. Given the perpetual nature of such instruments and the lock-in-clause applicable to such instruments, BWR generally notches the rating of such instruments below the issuer's base case rating.

KEY TERMS OF THE PROPOSED SUBORDINATED DEBT TIER II:

The proposed subordinated debt tier II issues of Rs. 200 Crs will be raised in the nature of rated, listed, unsecured, taxable, subordinated (Tier II), redeemable, non-convertible debentures with the purpose to augment tier II capital of the company. The proposed subordinated debt instrument will be raised in two tranches of Rs. 100 Crs and Rs. 50 Crs each with a greenshoe option of Rs.25 Crs for each tranche. The tenor of the instruments will be between 6-8 years based on the tranche and will have coupon servicing at monthly rests, beginning from one month after the date of allotment. The other terms and conditions shall be in line with its existing rated subordinated debt issues.

KEY RATING DRIVERS:

CREDIT STRENGTHS-:

- **Extensive experience of promoters and management team :** MFL is the flagship company of the Muthoot Pappachan Group. The Group has diversified interests in financial services, hospitality, real estate, and auto dealerships. MFL is largely a promoter-driven company, jointly managed by Mr. Thomas John Muthoot (Group Chairman and Managing Director), Mr. Thomas George Muthoot (Director), and Mr. Thomas Muthoot (Executive Director) (all brothers). The company's promoters have a deep understanding of the gold loan business and have been in this business for over eight decades. The top management is supported by professionals with designated heads looking after strategy, credit risk, operations, treasury functions, marketing, audit and other support functions.

- **Consistent AUM size:** As on Q1FY26, the AUM of MFL stood at Rs. 37,564 Crores (As against Rs. 33,563.43 Crs for FY25 including off-book). Out of the total AUM, Gold loan book stood at Rs. 24,660 Crs for Q1FY2026, while the balance is represented by MSME loans, Co-lending portfolio and Business Loans (LAP). As on 31 March 2025, the AUM of MFL stood at Rs. 33,563.43 Crs including off-book. Gold loan book including co-lending was Rs. 28,509.17 Crs, while the balance is represented by the MSME loans, Business Loans (LAP), Legacy portfolio (High value loans).
  As per the financials of Q1FY2026, MFL reported total revenue from operations at Rs. 1573.63 Crs, increased from Rs. 1478.59 Crs as for Q4FY2025 (an increase of 6.43% qoq). Interest income stood at Rs. 1427.40 Crs in Q1FY2026 (up by 8.45% qoq) vs Rs. 1316.21 Crs in Q4FY2025. The Company reported a PAT of Rs. 179.30 crores for Q1FY2026 against Rs. 191.67 Crs in Q4FY2025.

- **Improvement Asset Quality :** GNPA as on June 30 2025 was 1.66% and NNPA stood at 0.78%. Asset quality has improved with GNPA at 1.98% and NNPA at 1.28% as on March 31st 2025. On a forward looking basis, managing these ratios below GNPA ratio < 2% and NNPA ratio < 1%, shall be the rating monitorable

CREDIT RISKS-:

- **Inherent risk of portfolio and Geographic concentration risk:** ~85% of the AUM as on 30 June 2025 consists of Gold Loan portfolio. The loan portfolio has an inherent risk due to volatility in gold prices. Further around 55-60% of the portfolio is concentrated in the southern part of India though spread across different states. The portfolio product mix and geographic concentration is expected to remain in line with the existing composition in the medium term.

- **Moderate gearing levels:** The CRAR remained at a comfortable level of ~18.71% in Q1 FY 2026 (vs 19.50% in Q4FY25), consistently above the regulatory requirements over the years. Gearing (*total outside liabilities less cash and cash equivalents / tangible networth*) levels remained consistently in the range of 4.5 to 6.0 times since FY2022, though increased from 4.87x in FY24 to 5.86x in FY25. Gearing level as on Dec 31st 2024 is at 5.44x

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has evaluated the risk profile of MFL on a standalone basis. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to substantially improve its capitalisation profile and asset quality, while maintaining portfolio growth and strong liquidity will be key rating sensitivities.

Positive:

- Scaling up of business over Rs.50k Crs with consistent growth in earnings
- Maintaining asset quality with Gross NPA ratios below 1% and NNPA ratio below 0.7%
- Comfortable capitalisation with CRAR above 22%

Negative:

- Sharp decline in AUM below 10% of its estimated size and impacting the earnings profile
- Weakening of asset quality with GNPA ratios above 3.0% and NNPA ratios above 1.5%
- Declining in the CRAR below 15%, reducing the available comfortable capital buffer

LIQUIDITY POSITION: STRONG

The company's next 12 month debt obligations for the period Oct 2025- Sep 2026 amounted to Rs.4849 Crs, as against it has average quarterly collections of ~Rs.18,076 crs, cash and equivalents of Rs.672 Crs and undrawn bank lines of Rs.2897 Crs. There were no negative cumulative mismatches across the buckets upto 5 years as per the ALM as of 30 June 2025

About the Company

Muthoot Fincorp Ltd, (part of Muthoot Pappachan Group) is a non-deposit taking systemically important non-banking finance company, headquartered in Trivandrum, Kerala. It is primarily in the business of lending against household used gold jewelry to individuals. In addition, the company is also into other segments, including MSME loans, forex operations, money transfer business and wind power generation. The company has a lineage of 134 years from the present promoter's grandfather Mr. Ninan Mathew. MFL's operating history has evolved over a period of 85 years. Muthoot Pappachan Group has diversified interests in financial services, hospitality, real estate and auto dealerships. Muthoot Fincorp Ltd. is the parent company of Muthoot Microfin Ltd., Muthoot Housing Finance Co. Ltd. and Muthoot Pappachan Technologies Ltd.

As per the advisory that has been sent to a few NBFCs primarily engaged in the gold loan business, the company confirms the adherence to the provisions of the Income Tax Act, which essentially stipulate that no individual should receive more than Rs 20,000 in cash. The company has complied with the RBI direction of cash disbursal up to Rs 20,000.00. All disbursements of more than Rs 20,000 are made through the banking route (such as NEFT, RTGS and UPI)

Key Financial Indicators :

Particulars		FY23	FY24	FY25	Q1FY26
	Units	Audited	Audited	Audited	Unaudited
Net worth	In crores	3,893	4,261	4,506	4,846
PAT	In crores	460	563	787	179
AUM	In crores	19,720	22,866	33,563	37,564
GNPA	%	2.11	1.62	1.98	1.66
Net Gearing*	Times	3.70	4.20	5.86	5.67

******Net gearing is total outside liabilities less cash and cash equivalents / tangible networth*

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan Facilities: **Simple**

Commercial Paper: **Simple**

NCD and Subordinated Debt: **Complex**

IPDI: **Highly Complex**

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: There is no non-cooperation with the previous credit rating agency.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities/ Instrument	Current Rating			Rating History								
				04 April 2025			29 May 2024			2022		
	Type	Amount (Rs Cr)	Rating	Type	Amount (Rs Cr)	Rating	Type	Amount (Rs Cr)	Rating	26 Aug 22	15 Mar 22	25 Feb 22
NCD				Long Term	0.00	Withdrawn on account of redemption	Long Term	90.83	BWR AA-/ Stable (Reaffirmation)	BWR AA-/ Stable (Upgraded)	BWR A+/ Stable (Reaffirmed)	BWR A+/ Stable (Reaffirmed)
NCD (Value Rs 358.89 Cr)				Long Term	-	-	Long Term	0.00	Withdrawn on account of redemption			
Bank Loan Facilities				Long Term	-	-	Long Term	471.57	BWR AA-/ Stable (Reaffirmation and Withdrawal)	BWR AA-/ Stable (Upgraded)	BWR A+/ Stable (Reaffirmed)	BWR A+/ Stable (Reaffirmed)
Bank Loan Facilities (Proposed Bank Loan facility Rs 235.79 Cr)				Long Term	-	-	Long Term	0.00	Withdrawal on account of non-utilisation			

IPDI (Innovative Perpetual Debt Instruments)	Long Term	374.00	BWR A+/ Stable (Reaffirmation)	Long Term	374.00	BWR A+/ Stable (Reaffirmatio n)	Long Term	374.00	BWR A+/ Stable (Reaffirmation)	BWR A+ /Stable (Upgrade)	BWR A /Stable (Reaffirmed)	BWR A /Stable (Reaffirmed)
Commercial Paper (Proposed CP value Rs 500 Cr)				Short Term	-	-	Short Term	0.00	Withdrawal on account of non-utilisation	BWR A1+ (Reaffirmed)	BWR A1+ (Reaffirmed d)	BWR A1+ (Reaffirmed)
Sub Debt	Long Term	50.00	BWR AA-/ Stable (Upgradation)	Long Term	50.00	BWR AA-/ Stable (Reaffirmatio n)	Long Term	50.00	BWR AA-/ Stable (Reaffirmation)	BWR AA-/ Stable (Upgrade)	BWR A+/ Stable (Reaffirmed d)	BWR A+/ Stable (Assigned)
Sub Debt	Long Term	50.00	BWR AA-/ Stable (Upgradation)	Long Term	50.00	BWR AA-/ Stable (Reaffirmatio n)	Long Term	50.00	BWR AA-/Stable (Reaffirmation)	BWR AA-/ Stable (Upgrade)	BWR A+/ Stable (Assigned)	-
Proposed Sub Debt	Long Term	200.00	BWR AA-/ Stable (Assignment)	-	-	-	-	-	-	–	-	-
Total		674.00	Rupees six hundred seventy four crores only									

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Banks and Financial Institutions]
- [Capital Instruments Issued by Banks and Financial Institution]

For any other criteria obtain hyperlinks from website

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ANNEXURE I
Details of Long-term Bank Loan Facilities rated by BWR - Nil

ANNEXURE II
Details of NCDs rated by BWR - Nil

Annexure III
Details of IPDIs rated by BWR

Instruments	Issue Date	O/s Amount (Rs. Crs.)	Coupon Rate	Maturity	ISIN Particulars	Complexity $
Perpetual Debt Instrument	30 Nov 2008	50.00	12%	Perpetual	INE549K08061	Highly Complex
Perpetual Debt Instrument	10 Aug 2009	26.00	12%	Perpetual	INE549K08079	Highly Complex
Perpetual Debt Instrument	21 Dec 2009	54.00	12%	Perpetual	INE549K08053	Highly Complex
Perpetual Debt Instrument	30 Sep 2010	14.00	12%	Perpetual	INE549K08046	Highly Complex
Perpetual Debt Instrument	02 Nov 2017	24.00	12%	Perpetual	INE549K08145	Highly Complex
Perpetual Debt Instrument	17 Oct 2017	48.00	12%	Perpetual	INE549K08152	Highly Complex
Perpetual Debt Instrument	26 Feb 2018	48.00	12%	Perpetual	INE549K08160	Highly Complex
Perpetual Debt Instrument	18 Aug 2021	60.00	12%	Perpetual	INE549K08277	Highly Complex
Perpetual Debt Instrument	20 Dec 2021	25.00	12%	Perpetual	INE549K08319	Highly Complex
Perpetual Debt Instrument	12 Jul 202	25.00	12%	Perpetual	INE549K08350	Highly Complex
Total Rated		**374.00**	**Rupees Three Hundred Seventy Four Crores Only**			

*outstanding amount as on 1st April 2024
$ For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

ANNEXURE IV
Details of Subordinated Debt rated by BWR

Instruments	Issue Date	Rated Amount (Rs. Crs.)	Coupon Rate	Maturity	ISIN Particulars	Complexity $
Subordinated Debts	04 Mar 2022	50.00	10.26	31 Dec 2027	INE549K08327	Complex
Subordinated Debt	17 Mar 2022	50.00	10.26	30 Dec 2027	INE549K08335	Complex
Proposed Subordinated Debt	Proposed	200.00	-	-	-	-
Total		300.00	Rupees Three Hundred Crores Only			

$ For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

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