



Press Release

Muthoot Mercantile Limited (MML)

January 20, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term facilities – Cash Credit	50.00	IVR BBB Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Fund Based - Long Term facilities –Term Loans	64.00	IVR BBB Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Fund based – Proposed Term Loans	36.00	IVR BBB Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Total		150.00 (Rupees One Hundred Fifty Crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of ratings to the bank loan facilities of Muthoot Mercantile Limited (MML) has taken into consideration, the experienced promoters and management, comfortable capitalisation, healthy asset quality and healthy financial profile. However, the ratings are constrained by moderate scale of operations given the regional concentration and moderate diversity in resource profile.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, improving its profitability, while maintaining healthy asset quality, capital position and liquidity.



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Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and impacts the profitability for the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management

Muthoot Mercantile Limited (MML) is promoted by its chairman Mr. Mathew Ninan and is part of Muthoot Nina Group. The group is engaged in extending loans against gold for over two decades through MML and its group companies. The operations of MML are overseen by the Chairman, Mr. Mathew Ninan and by the managing director and son of the chairman, Mr. Richi Mathew. The company has a geographical presence across 9 states with more than 230 branches. The promoters are well supported by a qualified and experienced management headed by its CFO, Mr. M.R. Rajeev, who has close to 3 decades of experience in the industry.

Comfortable capitalisation

MML has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) of 39.74% as on 31 December 2022, compared with the minimum regulatory requirement of 15%. The company's net worth has consistently increased due to strong cash accruals and stands at Rs 133.53 Crores with a moderate gearing of 2.86x as on 31 December 2022.

Healthy asset quality

Over the years MML has set up strong credit systems and policies backed by strong collection and recovery processes and policies coupled with timely auctioning of the gold has helped the company to maintain healthy asset quality. Gross non-performing assets (GNPAs) stood at 0.55% in 9MFY23 (0.36% in FY22) and Net non-performing assets



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(NNPAs) stood at 0.37% in 9MFY23 (0.46% in FY22). Collection efficiency of the company has always been around 95% expect during the times of COVID linked lockdown.

Healthy financial profile

MML is primarily a gold loan finance company with a Loan portfolio of Rs 467.84 Crores as of 31 December 2022 (at Rs 345.20 Crores in FY22) 98% of which is secured gold loan portfolio. The company has achieved consistent portfolio growth in the last three fiscals. As on 31 March 2022, the gold loan product contributed ~98% of the total portfolio followed by 2% unsecured personal loans. On the back of which the revenues of the company increased to Rs 67.00 Crores in FY22 when compared to Rs 49.40 Crores in FY21. MML has been a profit-making company since inception and has reported a PAT of Rs 17.00 Crores for FY22 when compared to 14.00 Crores in FY21. For 9MFY22, the company has reported total income of Rs 66.26 Crores and PAT of Rs 13.15 Crores. For FY22, NIM stood comfortably at 13.90%. ROA & ROE were also comfortable at 4.80% and 15.50% respectively.

Key Rating Weaknesses

Moderate scale of operations given the regional concentration

MML started providing gold loans in the states of Kerala and Tamil Nadu and has later diversified into states like, Maharashtra, Odisha, New Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, and Punjab. However, Maharashtra remains its largest contributor with ~26% of loan portfolio followed by Kerala, which contributes to ~23% and Odisha which contributes to ~19% and hence the operations are regionally concentrated as on 31 December 2022. Despite the consistent growth in portfolio, the loan portfolio as on 31 December 2022 remains moderate at Rs 467.84 Crores. The ability of the company to increase its business in new states resulting in substantial scaling up of operations will be a key rating monitorable.

Moderate diversity in resource profile

MML's funding mix comprised non-convertible debentures (13.40%), subordinated debentures (49.00%), loans cash credit limits from public sector banks (37%) and perpetual debt (0.78%). The company had leverage of 2.86x as on 31 December 2022. The investors



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to NCDs and subordinate debt are from retail investors largely from Kerala and Tamil Nadu. The funding profile remains moderately concentrated towards retail NCDs. The ability of the company to diversify and raise more resources from Banks and financial institutions and reduce its reliance on retail NCDs will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Finance companies](#)

[Criteria of assigning rating outlook](#)

Liquidity –Adequate

The company is adequately capitalized with a CAR (%) of 39.74% as on December 31st, 2022, and Networth of Rs 133.53 Crores. Also, it has adequately matched asset liability profile as on December 31st, 2022. As on December 31st, 2022, the company has cash and bank balances of Rs 32.03 Crores, liquid investments of Rs 4.78 Crores, and Rs 8.00 Crores of unutilised bank limits.

About the Company

Muthoot Mercantile Limited (MML) is a Kerala based Gold Loan Company registered as a Non-Banking Financial Company (NBFC) under the Certificate of Registration No. N-16.00178 dated 12th December 2002. MML is the flagship company of the MuthootNinan Group. MML was incorporated as a Public Limited Company on 3rd March 1997 under Certificate of Incorporation of Registrar of Companies Kerala. The Company is promoted by Shri. M. Mathew and Shri. Richi Mathew. Shri. M. Mathew is the son of late Shri. Muthoot M. Ninan who was the founder of Muthoot Financial Establishments in the year 1939 at Kozhencherry in Pathanamthitta District, Kerala State. Company has 230 branches across 9 states, Kerala, Tamil Nādu, Maharashtra, Odissa, Delhi, Haryana, Punjab, Madhya Pradesh, and Uttar Pradesh.



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Financials (Standalone)*:

Rs in Crores

For the year ended As on	31-03-2021	31-03-2022
	Audited	Audited
Total Income	49.39	67.02
PAT	14.02	17.02
Tangible Net Worth	100.18	117.37
Total Debt	200.01	278.52
Total Loan Assets	290.09	345.16
ROTA (%)	5.77	4.76
Total CAR (%)	50.97	49.82
Gross NPA (%)	0.19	0.36
Net NPA (%)	0.17	0.33
Overall Gearing (Times)	2.00	2.37

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities – Cash Credit	Long Term	50.00	IVR BBB Stable	-	-	-
2.	Long Term Bank Facilities – Term Loans	Long Term	64.00	IVR BBB Stable	-	-	-
3.	Long Term - Proposed	Long Term	36.00	IVR BBB Stable	-	-	-



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	Term Loans						

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	February 2027	64.00	IVR BBB/Stable
Cash Credit	-	-	Revolving	50.00	IVR BBB/Stable
Proposed Term Loans	-	-	-	36.00	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-MML-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.