

India Ratings Assigns Muthoot Mercantile's Additional Bank Loan 'IND BBB'/Stable; Affirms Existing Rating

Mar 14, 2023 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken following rating actions on Muthoot Mercantile Limited's (MML) instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-term bank loans	-	-	-	INR500	IND BBB/Stable	Affirmed
Long-term bank loans	-	-	-	INR1,000	IND BBB/Stable	Assigned

Key Rating Drivers

For the detailed rationale, please click [here](#).

Rating Sensitivities

Positive: Significant and sustainable growth in loan book while maintaining stable asset quality, improvement in the AUM per branch, driving healthy profitability, along with consistently reducing the share of sub-debt as a percentage of non-equity liabilities could lead to a positive rating action.

Negative: Significant dilution in the tangible net worth due to significant losses, tier-1 ratio falling below 15% in the medium term, on a sustained basis, deterioration in the asset quality, leading to heightened auctions that could impact the profitability or lead to losses, could lead to a negative rating action. Any challenges faced by the entity in terms of regulatory compliance or any event of material fraud could also result in a negative rating action.

Company Profile

MML is a part of Kerala-based Muthoot Ninan Group. The company has been extending loans against gold since 1997. The company has been registered as a non-banking financial company since 2002. The company is promoted by Mathew Mathai Ninan (chairman) and his son, Richi Mathew (managing director). As of December 2022, MML operated through a network of 214 branches across nine states.

FINANCIAL SUMMARY

Particulars	FY22	FY21
Total tangible assets (INR million)	4191	3167
Total tangible equity (INR million)	1161	1001
Net profit/loss (INR million)	170	144
Tangible equity/assets (%)	27.7	31.6
Gross non-performing assets (%)	0.36	0.21
Debt-to-equity (x)	2.4	2.0
Tier-1 ratio (%)	32	33.3
Source: Company		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	6 February 2023	16 November 2021
Bank loans	Long-term	INR1,500	IND BBB/Stable	IND BBB/Stable	IND BBB-/Stable

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Bank Loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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APPLICABLE CRITERIA

Financial Institutions Rating Criteria**Non-Bank Finance Companies Criteria****The Rating Process****Evaluating Corporate Governance****DISCLAIMER**

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