



Press Release

Muthalagu Finance Private Limited

April 15, 2024

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures (NCDs)	100.00	IVR BB+/Stable (IVR Double B plus with stable outlook)	Assigned	Simple
Proposed Short-Term Loan	100.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	200.00 (Rupees Two hundred crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the proposed NCD's & proposed short term bank facilities of Muthalagu Finance Private Limited derives strength from experienced promoters and management, healthy asset quality, and comfortable capitalisation. However, rating strength are partially offset by moderate scale of operations given the regional concentration and intense competition in gold loan segment.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in its loan portfolio, while maintaining healthy asset quality, capitalisation, and profitability.

Downward Factors

- Any substantial decline in scale of operations, asset quality and/or capitalisation levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- Healthy Asset quality



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MFPLs asset quality remains healthy with Nil NPAs given that the company's provides only secured gold loans which is a safe asset class backed by stringent lending policies and risk management systems. The ability of the company to maintain delinquencies and improve collection efficiency over near term will be a key monitorable.

- **Comfortable capitalisation**

The overall CRAR of company stood comfortable at 36.43% as on March 31,2023 (44.66% as on March 31,2022). which is well above the regulatory requirements, giving the company sufficient headroom to continue its growth path and expand its portfolio further. The overall gearing stood comfortable at 1.53x in FY23 (FY22 :1.00x). Such adequate capitalization will help the company to sustain growth in the short-medium term.

Key Rating Weaknesses

- **Moderate scale of operation given regional concentration**

MFPL has presence only in state of Tamil Nadu which exposes the company to high geographical concentration risk and hence scale of operations remains moderate with an AUM of Rs 46.73 Crores. However, in 9MFY24, the company has expanded its operations in 4 new states by opening one branch each in these states. Going forward, the ability of the company to expand geographically and grow its loan book will be a key rating sensitivity.

- **Increasing competition from banks/NBFC in the gold loan segments**

Gold loan non-bank finance companies (NBFCs) are facing strong competition from traditional banks and large NBFCs in the gold loan segment, resulting in loan growth challenges. NBFCs which are primarily focused on gold loans also face tough competition from the unorganized moneylender market, as evidenced by the limited increase in tonnage among major gold loan NBFC.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Criteria For Default Recognition](#)

[Complexity Level of Rated Instruments](#)

[Criteria for Rating Outlook](#)

Liquidity – Adequate

MFPL has adequate liquidity with cash and bank balance of Rs 4.24 Crores as on 30 September 2023. Also, there are no cumulative mismatches across various buckets as per the ALM profile dated September 30, 2023. Considering the scale of operations as on March 31, 2023 the company is well capitalized with CRAR of 36.43%. MFPL's average capital utilisation stands at 2% for the last 12 months period ending December 31, 2023. MFPL has collection efficiency of 87.39% in 9MFY24.

About the MFPL

Incorporated in 1997, Muthalagu Finance Private Limited (MFPL) is a Non-Banking Finance Company (NBFC) registered with Reserve Bank of India and is as a non-deposit accepting - non-systematically important NBFC providing gold loans. MFPL is part of Balamuthalagu Finance group which is in lending industry since 1927. It was founded in Cumbum (a valley town in the Theni District of Tamil Nadu) by the late L. Subbaiyan Chettiar, grandfather of Shri A. Jeganath. The main business was pawn broking and money lending.

Financials (Standalone)*:

For the year ended / As on	(Rs. Crore)	
	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Income	9.76	10.45
Interest Expenses	3.25	3.04
PAT	0.79	0.91
Tangible Net worth	21.45	22.62
Total Debt	21.38	34.52
Total Loan Asset	34.08	46.73



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For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Gearing	1.00	1.53
Gross NPA (%)	0.00	0.00
Net NPA (%)	0.00	0.00

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: Nil.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Proposed Non-convertible Debentures	Long Term	100.00	IVR BB+/Stable	—	—	—
2	Proposed Short Term Loan	Short Term	100.00	IVR A4+	—	—	—

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Non-convertible Debentures	-	-	-	100.00	IVR BB+/Stable
Proposed short-term loan	-	-	-	100.00	IVR A4+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-muthalagu-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Draft Terms for Proposed NCD

Particulars	Non-Convertible Debentures
Issue Size	Rs.100.00 crore
Instrument type	Non-Convertible Debentures
End Use / Purpose	To meet the ongoing funding requirements for onward lending
Face value per Debenture	Rs.1000/- (Indian Rupees One Thousand only)
Issue Price	Rs.1000/- (Indian Rupees One Thousand only) Single Holder: Minimum Subscription Rs. 20,000 & Maximum Subscription less than Rs.1.00 crore
Tenor	Upto 5 years
Coupon	Interest Rate shall range between 10.50% to 12.50%
Redemption/ Principal payment	2% interest reduction in case of early redemption. Interest shall be paid monthly to the holder's bank account.
Financial Covenants	Nil



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Particulars	Non-Convertible Debentures
Non-Financial Covenants	Nil

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.

