

Press Release

Mulamoottil Financiers Limited

December 06, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	11.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) to the Rs. 11.00 crore bank facilities of Mulamoottil Financiers Limited (MFL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) to the Rs. 25.00 crore bank facilities of Mulamoottil Financiers Limited (MFL). The outlook is '**Stable**'.

Rationale for the rating

The rating continues to factors in the experienced promoters, healthy asset quality and comfortable capitalization levels. MFL's reported a CRAR of 43.91 percent (Tier 1: 28.77 percent) as on September 30, 2022, (FY 2022- 40.56 percent), and gearing levels stood steady at 2.45 times as on September 30, 2022. The rating takes into consideration in the company's lending profile towards secured and liquid gold loans & improvement in disbursal levels. The rating further draws comfort from sound asset quality metrics marked by on time portfolio at 99.17 percent as on September 30, 2022 and Gross Non-Performing Assets (GNPA) of 0.53 percent as on September 30, 2022 (FY2022-0.67 percent).

The rating is however, constrained by geographical concentration, modest scale of operations, limited financial flexibility and highly competitive business of gold loans.

Going forward, the company's ability to raise capital, profitably scale-up its loan portfolio while maintaining the asset quality will be a key monitorable.

About the company

Mulamoottil Financiers Limited (Formerly Mulamoottil Leasing and Hire Purchase Ltd) a Non-Banking Financial Company (NBFC) incorporated in February 1994 based out of central Travancore area of Kerala mainly operates in providing gold loan and business loans primarily to individuals in rural areas. The company is being promoted by Mr. Jacob Thomas and his family members. The company has expanded its operations in the state of Kerala with a network of 148 branches.

MFL is a part of the Mulamoottil Group, the group is also engaged in other businesses like hospitality, finance, retail amongst others.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of MFL to arrive at the rating.

Key Rating Drivers

Strength

- **Experienced promoters**

The promoters have more than two decades of experience and a strong understanding of customer profile in the region they operate. Given the company's long track record of presence of more than three decades in the state of Kerala, the company has built up good credibility among the borrowers. The company is promoted by Mr. Jacob Thomas and his family members. He holds ~69 percent of shares individually of MFL as on June 30, 2022, while rest shareholding is held by other family members. Mr. Jacob Thomas, the managing director of the company has long-standing experience in various business & also in financial services. The day to day operation of MFL is led by Dr. Ashly Thomas Jacob who is supported by his team of professionals.

Acuité believes that MFL will continue to benefit from its established presence of the Mulamoottil Group and experience of the promoters in the gold loan segment.

- **Healthy Asset Quality**

Asset quality has shown improvement marked by on time portfolio at 99.17 percent as on September 30, 2022, as against 98.95 percent as on March 31, 2022. On time dpd profile improved from 89.06 percent as on March 31, 2020 to 99.17 percent as on September 30, 2022. MFL reported a Gross NPA stood at 0.53 percent as on September 30, 2022, as against 0.67 percent as on March 31, 2022, and NNPA of 0.26 percent as on September 30, 2022, as against 0.33 percent as on March 31, 2022. The company has provision coverage ratio of 50 percent as on September 30, 2022. The current GNPA and NNPA levels improved from 10.94 percent and 8.52 percent as on March 31, 2020, respectively. The improvement was led by the management's focus on collection toward delinquent assets.

Going forward, the company's ability to maintain asset quality will be key monitorable and risk arising from adverse gold prices would be critical.

Weakness

- **Moderate scale of Operations with high geographical concentration**

Mulamoottil Financiers limited commenced its operation in 1994 and currently has a loan portfolio of Rs. 113.93 Cr. as on September 30, 2022 as against Rs. 104.80 Cr as on March 31, 2022, and Rs. 81.28 Cr in FY2021. MFL is a mid-sized but a stable growing player in gold loans. MFL's portfolio is currently concentrated in 5 districts of Kerala (i.e Pathanamthitta, Kottayam, Alappuzha, Kollam, Idukki) and has a branch base of 148 branches as on September 30, 2022. Going forward MFL plan to expand its network of branches in the neighbouring states of Kerala. The company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers.

Acuité believes that geographical concentration will continue to weigh on the company's credit profile.

- **Limited Financial Flexibility**

The capital structure of MFL is supported by Networth of Rs. 38.53 Cr., Total debt of Rs. 95.79 Cr. and resulted gearing of ~2.45 times as on September 30, 2022. MFL borrowing profile comprises non-convertible debentures of Rs. 60.07 Cr. (~63 percent of the debt profile) followed by unsecured non-convertible subordinate debt of Rs. 29.23 Cr. (~30 percent of the debt profile) and facilities from Federal bank in the form of CC/OD, WCDL of Rs. 6.5 Cr (~7 percent of the debt profile). The NCDs are privately placed with friends and family of the promoters for a tenor of 2 to 3 years. As the company has availed banking facility from one bank, the debt profile of MFL remains largely dependent on promoters for funding requirement. The company is in talk with other banks for raising additional funds.

Acuite believes that the ability of the company to mobilize additional funding through debt/equity will be critical.

Rating Sensitivity

- Ability to raise capital
- Profitable scale up in operations
- Movement in liquidity buffers
- Movement in profitability metric
- Changes in the regulatory environment

Material Covenants

None

Liquidity Position

Adequate

MFL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated September 30, 2022. The company has cash & bank balances of Rs. 12.09 Crore as of September 2022.

Outlook: Stable

Acuite believes that MFL will maintain a 'Stable' outlook over the medium term supported by its established presence in the gold loan segment along with experienced promoters and demonstrated ability to maintain asset quality levels. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality and profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	125.71	108.67
Total Income*	Rs. Cr.	13.81	11.55
PAT	Rs. Cr.	4.05	5.01
Networth	Rs. Cr.	35.57	34.78
Return on Average Assets	(%)	3.46	4.50

(RoAA)			
Return on Net Worth (RoNW)	(%)	12.65	18.97
Total Debt/Tangible Net Worth (Gearing)	Times	2.33	1.80
Gross NPA's	(%)	0.67%	1.48%
Net NPA's	(%)	0.33%	0.60%

*Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Sep 2022	Working Capital Demand Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB- Stable Assigned
Federal Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	10.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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