

No. CARE/NRO/RL/2023-24/1059

**Shri Amardeep Samra**  
**Managing Director**  
**Midland Microfin Limited**  
The Axis building , BMC Chowk,  
G.T. ROAD, Jalandhar,  
Jalandhar  
Punjab 144001



June 28, 2023

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY23 (Audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	510.00 (Enhanced from 310.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Total Facilities	510.00 (Rs. Five Hundred Ten Crore Only)		

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

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as early as possible. In any case, if we do not hear from you by <date>, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.



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If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**Jaya Gupta**  
Executive  
[jaya.gupta@careedge.in](mailto:jaya.gupta@careedge.in)



**Neha Kadiyan**  
Associate Director  
[neha.kadiyan@careedge.in](mailto:neha.kadiyan@careedge.in)

Encl.: As above

Disclaimer

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## Annexure 1

### Details of Rated Facilities

#### 1. Long Term Facilities

##### 1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	ICICI Bank Ltd.	195.16
2.	Small Industries Development Bank of India	52.50
3.	Micro Units Development and Refinance Agency Bank	33.33
4.	Kotak Mahindra Bank Ltd.	32.23
5.	Canara Bank	28.58
6.	Indian Bank	28.01
7.	DCB Bank Ltd.	26.16
8.	Yes Bank Ltd.	23.96
9.	UCO Bank	22.41
10.	Bank of Baroda	15.00
11.	SBM Bank (India) Ltd.	11.25
12.	Indian Overseas Bank	10.00
13.	Proposed	31.41
	<b>Total</b>	<b>510.00</b>

**Total Long Term Facilities : Rs.510.00 crore**

**Total Facilities (1.A) : Rs.510.00 crore**

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No. CARE/NRO/RL/2023-24/1061

**Shri Amardeep Samra**  
**Managing Director**  
**Midland Microfin Limited**  
The Axis building , BMC Chowk,  
G.T. ROAD, Jalandhar,  
Jalandhar  
Punjab 144001

June 28, 2023

**Confidential**

Dear Sir,

**Credit rating for Non-Convertible Debenture issue**

On the basis of recent developments including operational and financial performance of your Company for FY23 (Audited), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
1.	Non Convertible Debentures	8.03	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
2.	Non Convertible Debentures	50.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
3.	Non Convertible Debentures	34.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
	<b>Total Instruments</b>	<b>92.03</b> <b>(Rs. Ninety-Two</b> <b>Crore and Three</b> <b>Lakhs Only)</b>		

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

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2. The NCDs are repayable as per Annexure-1..
  3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by <date>, we will proceed on the basis that you have no any comments to offer.
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  6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
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8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

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Thanking you,

Yours faithfully,



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**Neha Kadiyan**  
Associate Director  
[neha.kadiyan@careedge.in](mailto:neha.kadiyan@careedge.in)

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## Midland Microfin Limited

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	510.00	CARE BBB+; Stable	Reaffirmed
Non-Convertible Debentures	8.03	CARE BBB+; Stable	Reaffirmed
Non-Convertible Debentures	50.00	CARE BBB+; Stable	Reaffirmed
Non-Convertible Debentures	34.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings of Midland Microfin Limited (MML) derive strength from the Company's established track record and the healthy asset quality over the years. The ratings are also supported by the diversified resource base, adequate liquidity position.

However, the ratings are constrained by the high albeit reducing geographical concentration of operations, relatively high gearing levels, moderate profitability profile, and inherent risks involved in the microfinance industry including unsecured lending, the marginal profile of borrowers, socio-political intervention risk, and regulatory uncertainty.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustainable growth while maintaining asset quality
- Improvement in geographical diversification with a reduction in the top state concentration.
- Maintaining healthy capitalization levels with gearing below 5x

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Weakness in the capitalisation profile of MML with gearing rising above 8x.
- Significant deterioration in the asset quality, and consequently, profitability profile of the company.

**Analytical approach:** Standalone

### Outlook: Stable

The 'Stable' outlook for the long-term instruments of MML factors in the consistent improvement in the company's financial metrics along with the expected improvement in its scale of operations. MML is also expecting an equity infusion upto ₹200 crore in the next six months, which will provide it much needed capital to fund future growth.

### Industry risk/Industry outlook

CareEdge Ratings anticipates the growth momentum in the MFI industry will continue, with a growth rate of around 25% YoY in FY24, driven by steady disbursement growth and an improving macroeconomic environment. We also expect asset quality pressure to ease as the restructured portfolio decreases, and we anticipate that the GNPA ratio will decrease to 3% by the end of fiscal 2024, although it will remain high compared to pre-Covid levels.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

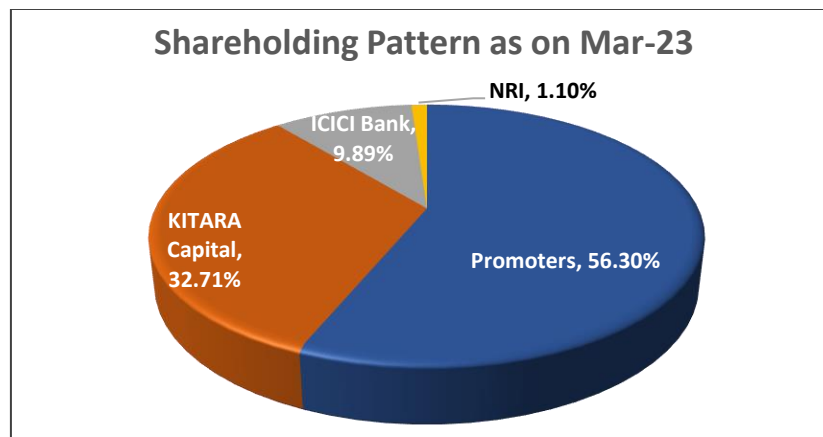


We anticipate that return on average assets will improve to 3.25% in FY24, supported by controlled credit costs and improving NIMs. However, we acknowledge that the rising interest rate environment, high inflation, and any new Covid wave could have an impact on the growth of the MFI sector.

## 1.1 Ownership and Management

### 1.1.1 Ownership/ Group (Equity Shareholding)

Strategic importance and strong support from Group



MML is majorly held by promoters and friends & family holding 56.30% shares as on Mar-23. However, company was able to get investment from few of the Institutional Investors. Kitara Capital invested in the company in fiscal 2016 and continued to invest on regular intervals. During FY22, company was able to also get funding from ICICI bank wherein ICICI infused 74.41 crore, holding 9.9% as on Mar-23.

Further during FY23, company received ₹33.52 crore in the form of CCPS from the existing investors and plans to raise around ₹200 crore through equity from new PE investors in FY24.

### 1.1.2 Key Management and Board Composition

#### Experienced management team

The promoters of MML belong to the Midland group of Punjab, engaged in asset finance and lending business. The management of MML is headed by Mr Amardeep Samra, Promoter and Managing Director, who has extensive experience of more than two decades in the fields of finance, hire-purchase, leasing, commercial real estate development, and management of agri-based cooperative societies. The overall operations of MML are governed by the board of seven members that comprises three independent directors, one nominee director, one non-executive non-independent director, and two promoter directors. MML has formed different board committees for technical review and formulation of policies and procedures for the working of the MFI, including an audit committee, risk management committee, board management committee, asset Liability committee, etc. MML has created separate departments with clearly demarcated roles and responsibilities for handling different functions. The promoters of MML belong to the family that is also the promoter of the Capital Small Finance Bank, based out of Punjab.

## **Composition of Board & profile**

### **Board of Directors**

<b>Name</b>	<b>Executive/Non-Executive/Promoter</b>
Mr. Vijay Kumar Bhandari	Non-Executive Director-Chairman of Board
Mr. Amardeep Singh Samra	Managing Director
Mr. Shant Kumar	Non-Executive Independent Director
Mr. Santokh Singh Chhokar	Non-Executive Director (Additional Director)
Mr. Sachin Kamath	Nominee Director
Mr. Praveen Kumar Gupta	Independent Director (Additional Director)
Mr. Kamna Raj Aggarwalla	Woman Director
Mr. Ahswani Kumar Jindal	Independent Director

### **Key Managerial Personnel**

<b>Name</b>	<b>Designation</b>
Mr. Amitesh Kumar	CFO, COO
Mr. Gagan Deep Sharma	DVP-Legal
Mr. Gopesh Gupta	DVP-Accounts & Finance
Mr. Maninder Kumar	AVP-Operations
Mr. Sumit Bhojwani	CS
Ms. Saachi Sachdev	DVP-Human Resource
Mr. Gagandeep Sharma	CTO
Mr. Amit Rathi	AUDIT HEAD
Mr. Pallav Majumdar	AVP-Training & Admin Head

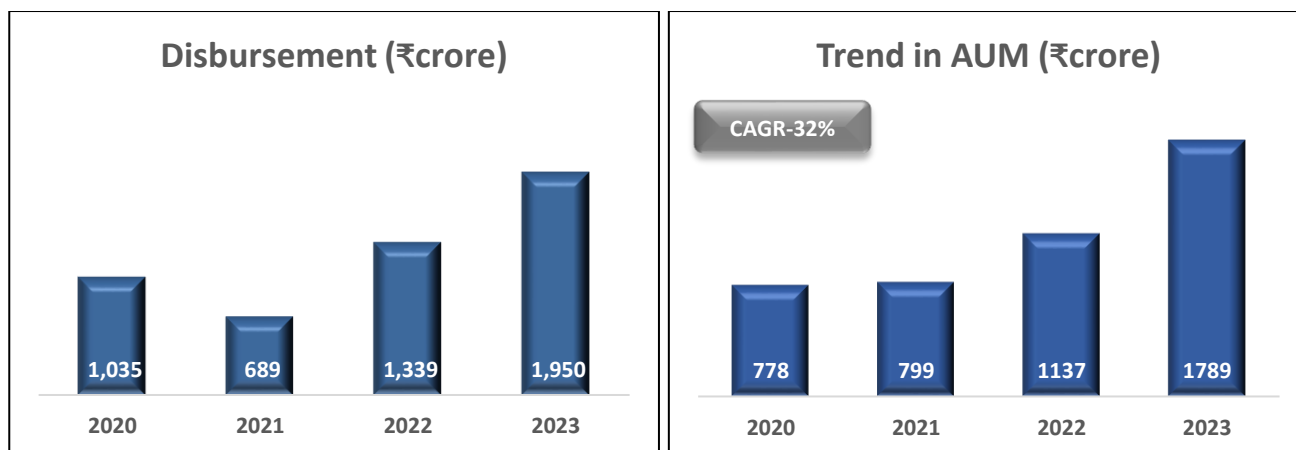
#### **1.1.3 Strategy and Execution**

The AUM for the entity stood at ₹1,789.44 crore as on March 31, 2023. Out of which, 86.34% was on-books, 18.35% was direct assignment. Management plans to achieve AUM of around Rs 3600 crore by end of current financial year and Rs 5700 crore by end of next financial year. Of this, around 20% will be off book in form of direct assignment and business correspondence structure.

The company's portfolio has steadily diversified from single state of Punjab to diversifying to other neighbor states. As of March 31, 2023, Bihar and Uttar Pradesh contributed 39.09% and 22.15% to AUM. Further, company is expanding their geographical reach by entering new states such as Jammu & Kashmir, Orissa, Madhya Pradesh. **Business Risk**

#### **1.1.4 AUM Profile characteristics**

##### **Improvement in scale of operations**



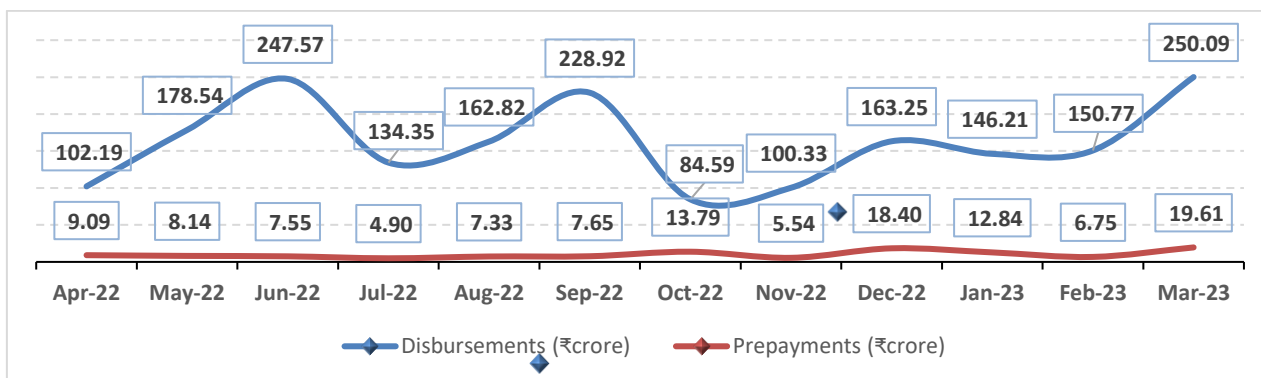
#### AUM and portfolio composition

Product Segment (AUM, Rs. Cr)	2020	2021	2022	2023
Business loan	748	777.62	1,113.29	1,730.32
Proportion (%)	96.14%	97.30%	97.86%	96.70%
Y-o-Y Growth (%)	-	4%	43%	55%
CPP Products	5.29	2.32	0.85	10.63
Proportion (%)	0.68%	0.29%	0.07%	0.59%
Y-o-Y Growth (%)	-	-56%	-63%	1151%
Individual Loans	24.47	19.23	23.28	30.71
Proportion (%)	3.15%	2.41%	2.05%	1.72%
Y-o-Y Growth (%)	-	-21%	21%	32%
Wash loan	-	-	-	17.77
Proportion (%)	0.00%	0.00%	0.00%	0.99%
Y-o-Y Growth (%)	-	-	0.00%	0.00%
Education loan	-	-	-	0.01
Proportion (%)	0.00%	0.00%	0.00%	0.00%
Y-o-Y Growth (%)	-	-	0.00%	0.00%
Wholesale AUM	683	764.59	1032.41	1454.44
Proportion (%)	87.79%	95.67%	90.75%	81.28%
Y-o-Y Growth (%)	-	12%	35%	41%
Retail AUM	95	34.58	105.21	335.01
Proportion (%)	12.21%	4.33%	9.25%	18.72%
Y-o-Y Growth (%)	-	-64%	204%	218%
Total AUM	778	799.17	1137.62	1789.45
Proportion (%)	100%	100%	100%	100%
Y-o-Y Growth (%)	-	3%	42%	57%

The business loan continues to be major contributor to AUM with 97% share as on March 31, 2023, which is primarily disbursed through mechanism of joint liability group structure. The portfolio majorly caters to rural region contributing 96%, followed by Urban region with 3% and semi-urban region with 1% as on March 31, 2023.

The loan book of the company has grown by 57% in FY23 as compared to 42% in FY22. Trend is expected to continue in future also, with company expecting loan book close to around ₹3500 crore by the end of fiscal 2024.

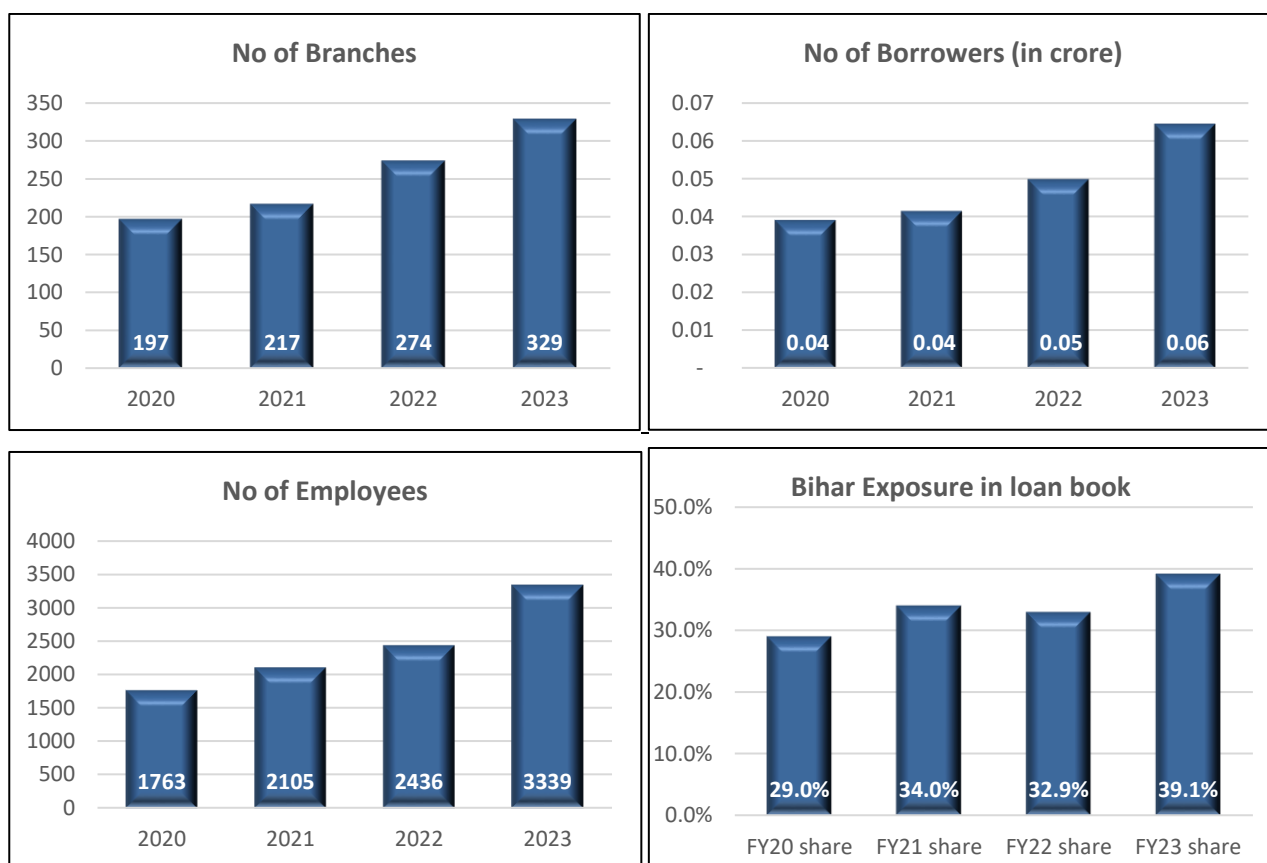
### Trend in disbursements and prepayments



The disbursement trend of the company reflects high disbursements in the end of the quarter and then sharp decline in the subsequent 2 months. As per the management, they are running target incentive schemes which motivates the employees to complete their targets before the end of the quarter.

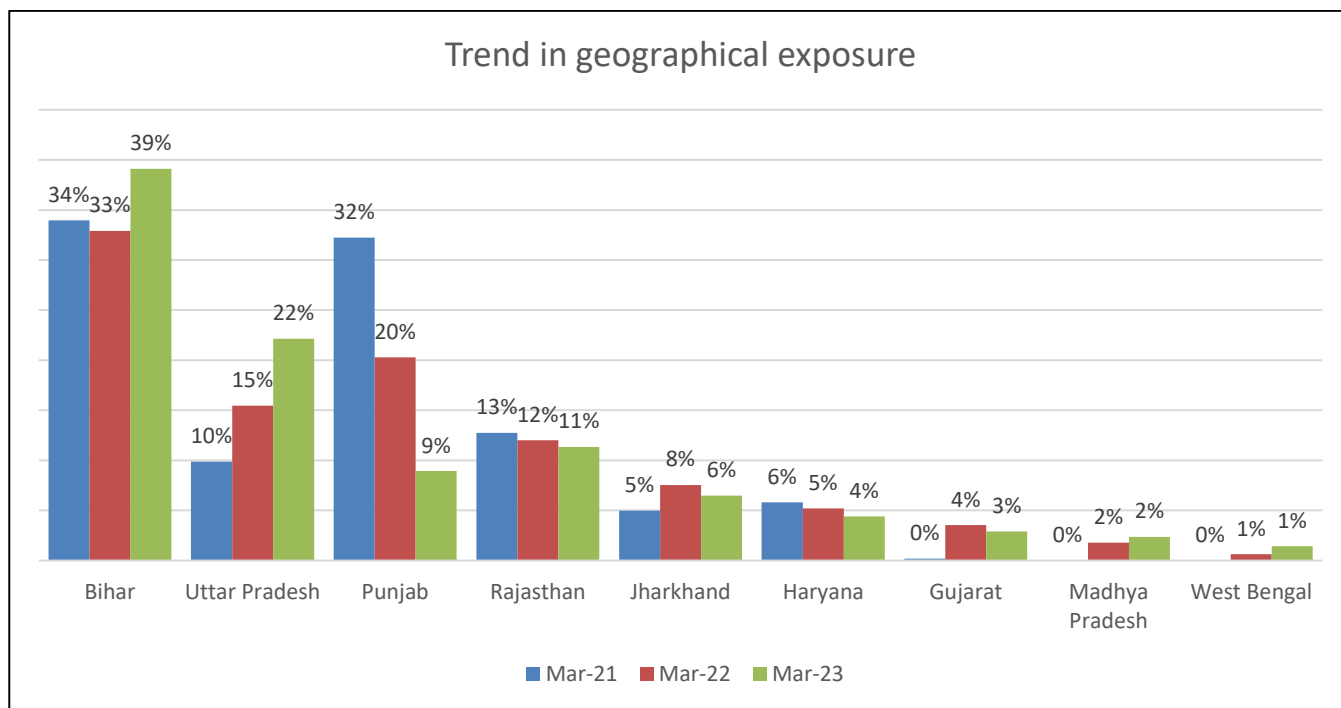
#### 1.1.5 Market Size and Presence

Geographical and product segment concentration of operations, although showing improvement



MML operates in 12 states out of which aggregate top 5 states contribute 88% as on Mar-23. However, company is focusing towards expansion of this geographical reach and has entered into 2 new states in FY23, Jammu Kashmir and Odisha.

**Trend in Geography wise exposure**



**State wise Delinquency:**

	0+					30+				
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bihar	5.3%	6.0%	5.6%	5.4%	1.0%	4.0%	4.2%	4.4%	5.0%	0.7%
Gujarat	0.0%	0.3%	0.8%	2.2%	1.8%	0.0%	0.0%	0.4%	1.4%	1.1%
Haryana	8.5%	12.5%	11.5%	12.7%	3.4%	7.2%	10.3%	10.7%	12.1%	2.9%
Himachal Pradesh	0.1%	0.3%	0.2%	0.5%	0.9%	0.0%	0.2%	0.2%	0.2%	0.3%
Jammu Kashmir	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jharkhand	1.9%	3.1%	3.9%	4.3%	1.7%	1.3%	1.7%	2.3%	3.4%	1.0%
Madhya Pradesh	0.0%	1.1%	2.5%	4.1%	1.7%	0.0%	0.1%	1.3%	2.8%	1.0%
Odisha	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Punjab	13.5%	20.5%	22.1%	26.9%	8.0%	11.7%	18.6%	21.3%	26.3%	7.5%
Rajasthan	4.1%	7.8%	8.3%	8.4%	2.9%	3.1%	5.6%	6.5%	7.5%	1.7%
Uttar Pradesh	1.7%	3.0%	3.2%	3.2%	0.8%	1.4%	2.1%	2.3%	2.6%	0.5%
Uttarakhand	0.0%	0.0%	0.1%	0.4%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
West Bengal	0.0%	0.2%	0.8%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>Total</b>	<b>5.8%</b>	<b>8.1%</b>	<b>7.7%</b>	<b>8.5%</b>	<b>2.0%</b>	<b>4.7%</b>	<b>6.4%</b>	<b>6.6%</b>	<b>7.8%</b>	<b>1.5%</b>

	60+					90+				
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bihar	3.1%	2.9%	3.6%	4.4%	0.6%	2.2%	1.9%	2.1%	3.2%	0.1%
Gujarat	0.0%	0.0%	0.2%	0.9%	0.7%	0.0%	0.0%	0.1%	0.5%	0.6%
Haryana	6.3%	7.0%	8.8%	11.1%	2.2%	4.8%	4.2%	5.2%	7.5%	0.3%
Himachal Pradesh	0.0%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.2%	0.1%

	60+					90+				
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Jammu Kashmir	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jharkhand	1.0%	1.2%	1.8%	2.9%	0.6%	0.8%	0.8%	1.0%	2.2%	0.3%
Madhya Pradesh	0.0%	0.1%	0.6%	2.0%	0.6%	0.0%	0.0%	0.0%	1.4%	0.5%
Odisha	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Punjab	10.5%	13.4%	16.0%	23.8%	5.8%	7.7%	8.5%	9.1%	13.3%	0.3%
Rajasthan	2.4%	3.6%	5.3%	6.8%	1.2%	1.5%	1.7%	3.1%	5.3%	0.2%
Uttar Pradesh	1.2%	1.3%	1.9%	2.3%	0.4%	0.8%	0.7%	1.1%	1.8%	0.1%
Uttarakhand	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
West Bengal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>4.0%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>7.0%</b>	<b>1.1%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>4.6%</b>	<b>0.2%</b>

### 1.1.6 Outreach and Productivity

Particulars	Unit	FY19	FY20	FY21	FY22	FY23
Number of states	No.	5	7	8&1	11&1	12&2
Branches	No.	153	197	217	274	329
Total borrowers	No	2,96,238	3,90,577	4,13,964	4,97,495	6,42,912
Disbursement	₹ Crore	837	1,035	689	1,339	1,950
Loan outstanding	₹ Crore	543	735	630	1,137	1,789
Total Employees	No.	1,446	1,763	2,105	2,436	3,339
Attrition Rate	%	Not available				
Employee Productivity						
Disbursement per Employee	₹ Crore	0.58	0.59	0.33	0.55	0.58
Loan per Employee	₹ Crore	0.38	0.42	0.30	0.47	0.54
Borrowers per Employee	No.	204.87	221.54	196.66	204.23	192.55
Branch Productivity						
Disbursement per Branch	₹ Crore	5.47	5.25	3.17	4.89	5.93
Borrowers per Branch	No.	1,936.20	1,982.62	1,907.67	1,815.68	1,954.14
Loan Per Branch	₹ Crore	3.55	3.73	2.90	4.15	5.44

### 1.1.7 Systems and Processes

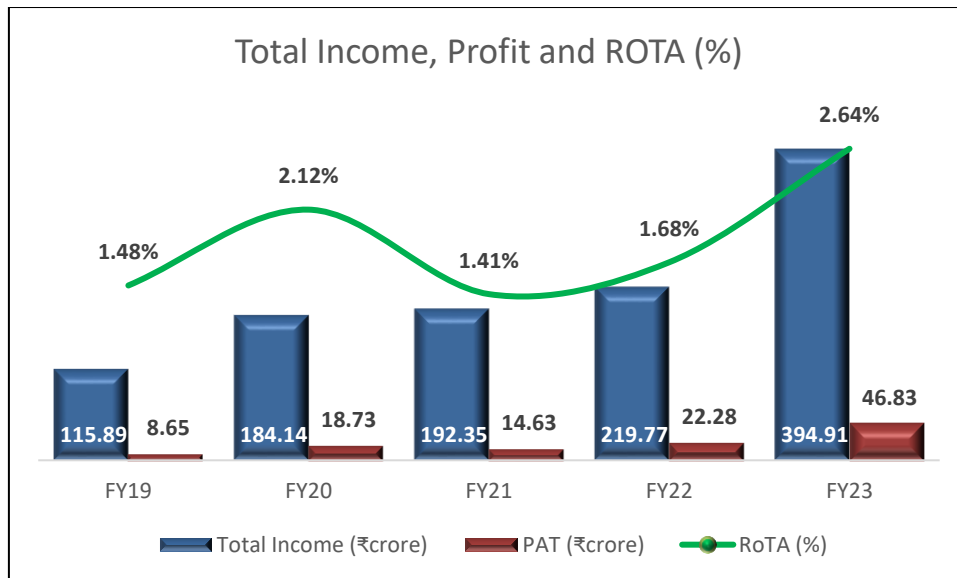
#### Adequate internal control and MIS system

The company has in place adequate systems of internal control to ensure compliance with policies and procedures for current scale of operations. It is being constantly assessed and strengthened with new/ revised standard operating procedures. Internal audits of the company are regularly carried out to review the internal control systems. As per the annual report, internal auditor has verified the key internal financial control by reviewing key controls impacting financial reporting and overall risk management procedures of the group and found the same satisfactory.

## 1.2 Financial

### 1.2.1 Profitability

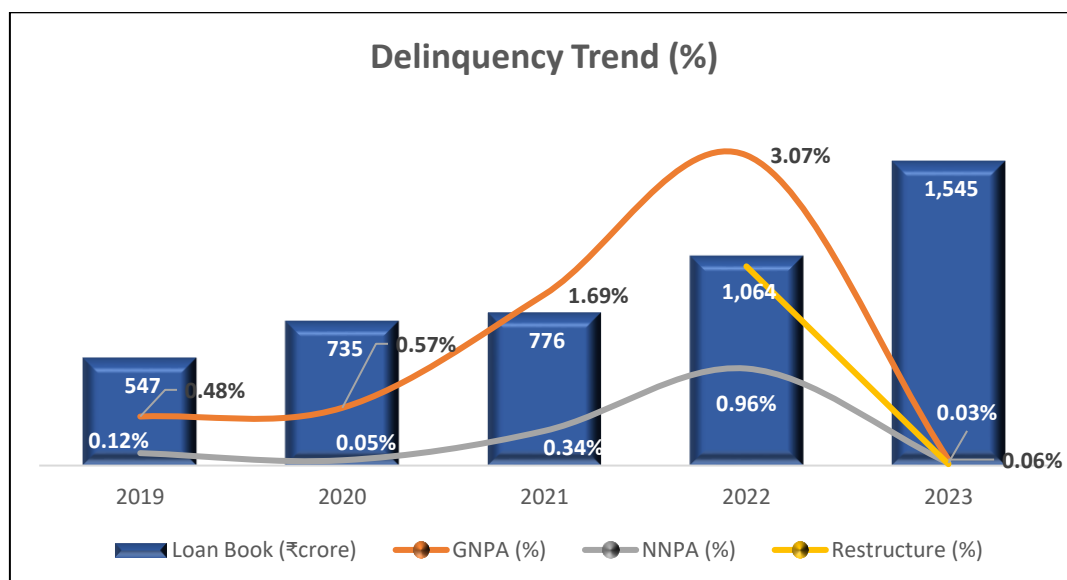
#### Moderate profitability, which is expected to improve with risk calibrated growth in portfolio



The cost of funds has increased from 9.89% in FY22 to 11.99% in FY23, due to rising interest rate scenario. However, with the deregulation of interest rates, rise in the yields was much higher leading to improvement in net interest margins (NIMs) to 10.5% in FY23 (vs. 7.6% in FY22). Improved NIMs along with income from sale of DA transactions led to improvement in the profitability profile with return on total assets (ROTA) increasing to 2.64% in FY23 from 1.68% in FY22. This was despite the rise in credit costs, as MML tried to clean its book. The credit cost has increased from 0.70% as on March 31, 2022 to 2.90% as on March 31, 2023 with the company selling its stressed assets to ARC. Overall, the operating expense to average total assets remained high, at 6.39% in FY23 and 5.66% in FY22, mainly due to the expansion of geographical reach, as the company has opened 55 new branches in FY23. Going forward, CARE Ratings expects MML to maintain adequate profitability profile.

## 1.2.2 Asset Quality

### Moderate Asset Quality metrics

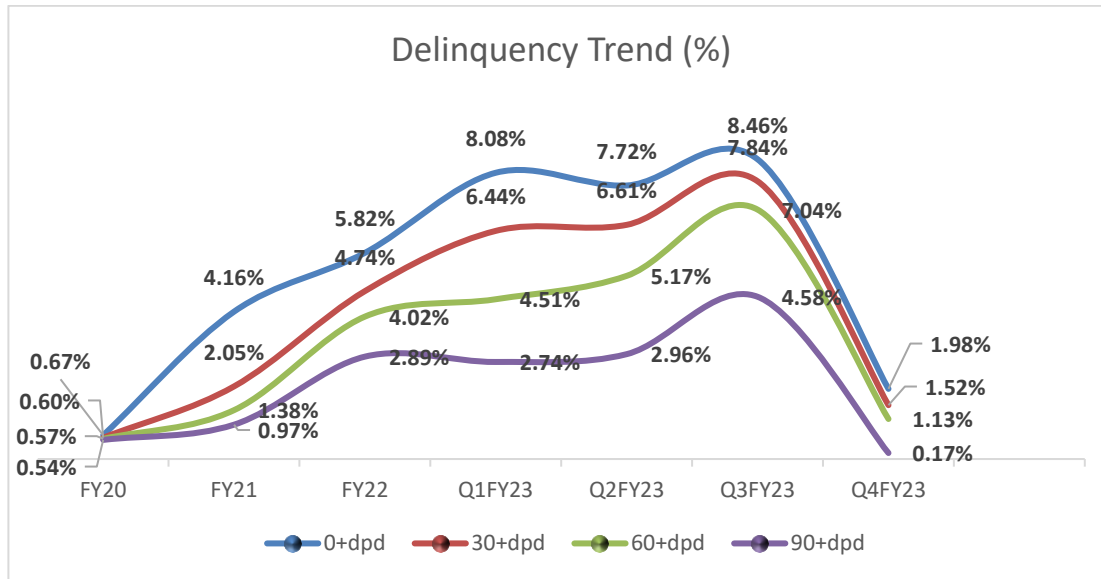


Stage wise details (In ₹ crore, except %)	2019	2020	2021	2022	2023
Gross Stage 1	544.27	729.98	707.73	1,009.68	1,519.86
Gross Stage 2	0.34	0.43	55.42	21.93	24.23
Gross Stage 3	2.64	4.19	13.11	32.62	0.91
Gross Carrying Amount (balance sheet)	547.25	734.60	776.26	1,064.23	1,545.00
Gross Stage 3/ Gross Carrying Amount	0.48%	0.57%	1.69%	3.07%	0.06%
Provision for Stage 1	2.00	4.20	3.11	2.08	2.65
Provision for Stage 2	0.07	0.14	6.90	4.92	13.30
Provision for Stage 3	1.98	3.81	10.49	22.64	0.51
Total Provisions (balance sheet)	4.05	8.14	20.50	29.64	16.46
Net Stage 1	542.27	725.79	704.62	1,007.60	1,517.21
Net Stage 2	0.27	0.30	48.52	17.01	10.93
Net Stage 3	0.66	0.38	2.62	9.98	0.40
Net Carrying Amount	543.20	726.46	755.76	1,034.59	1,528.54
Net Stage 3/ Net Carrying Amount (%)	0.12%	0.05%	0.35%	0.96%	0.03%
Provision Cover on Stage 1	0.37%	0.57%	0.44%	0.21%	0.17%
Provision Cover on Stage 2	20.83%	31.48%	12.45%	22.44%	54.89%
Provision Cover on Stage 3	74.92%	91.02%	80.02%	69.41%	56.04%
Total Provision Coverage	0.74%	1.11%	2.64%	2.79%	1.07%
Restructure Portfolio	-	-	-	1.97%	0.01%

Traditionally, MML's asset quality has remained good. However, in fiscal 2022, its GNPA% increased from 1.69% to 3.07% on account of significant slippages due to Covid crisis. During fiscal 2023, MML has reported improvement in the gross non-performing asset (GNPA) ratio from 3.07% as on March 31, 2022, to 0.06% as on March 31, 2023, owing to ARC transaction of ₹155 crore in the month of March 2023. Owing to this ARC transaction, the softer delinquencies also improved with 0+DPD and 60+DPD at 1.98% and 1.13%, respectively, as on March 31, 2023, as compared with 5.82% and 4.02%, respectively, during the year ending March 31, 2022. Restructured portfolio also stood negligible at 0.01% of gross loans. CARE Ratings notes that the company's loan book has expanded rapidly over the past two years with sizable

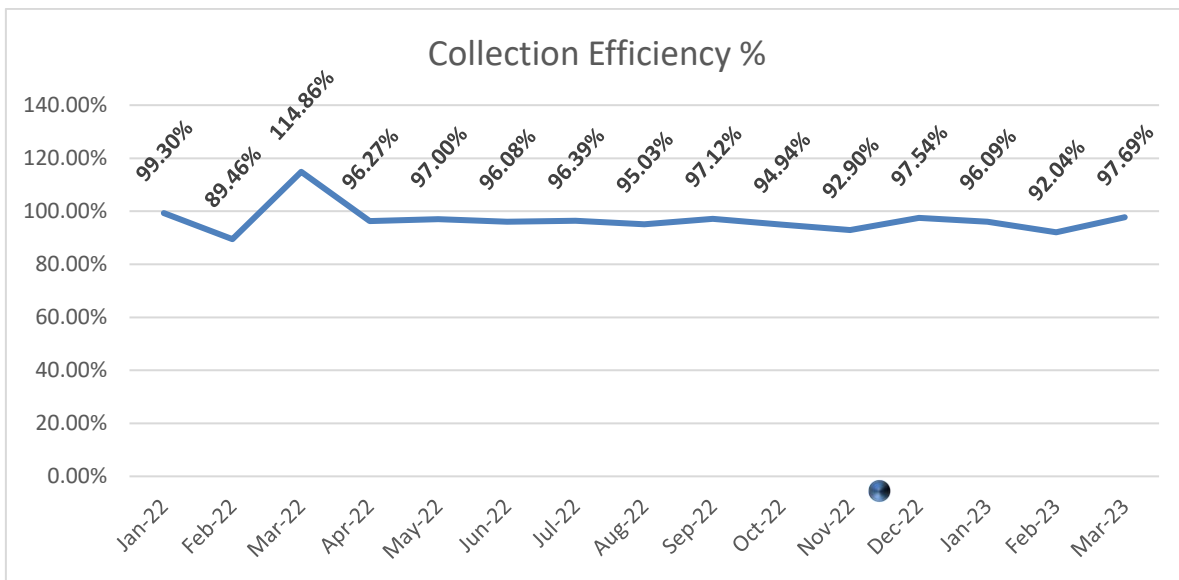


disbursements of ₹1,950 crore in FY23 and ₹1,339 crore in FY22, and going forward, its ability to maintain asset quality metrics remain key monitorable. Also, the company caters to a customer segment with an inherently weaker credit profile and those who are more susceptible to economic vulnerabilities and socio-political risks if any



**Collection Efficiency**

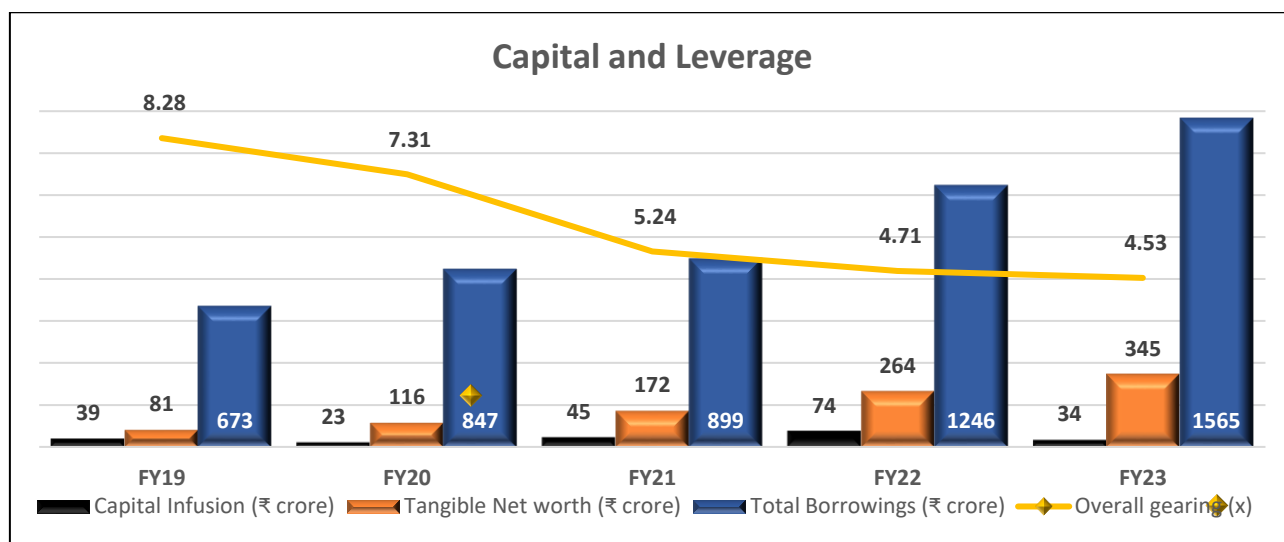
**Collection efficiency (including overdue collections) compared to billings raised in month excluding prepayments**



The company has been able to maintain current collection efficiency at around 95% levels, which helps it maintain the asset quality.

### 1.2.3 Capitalization

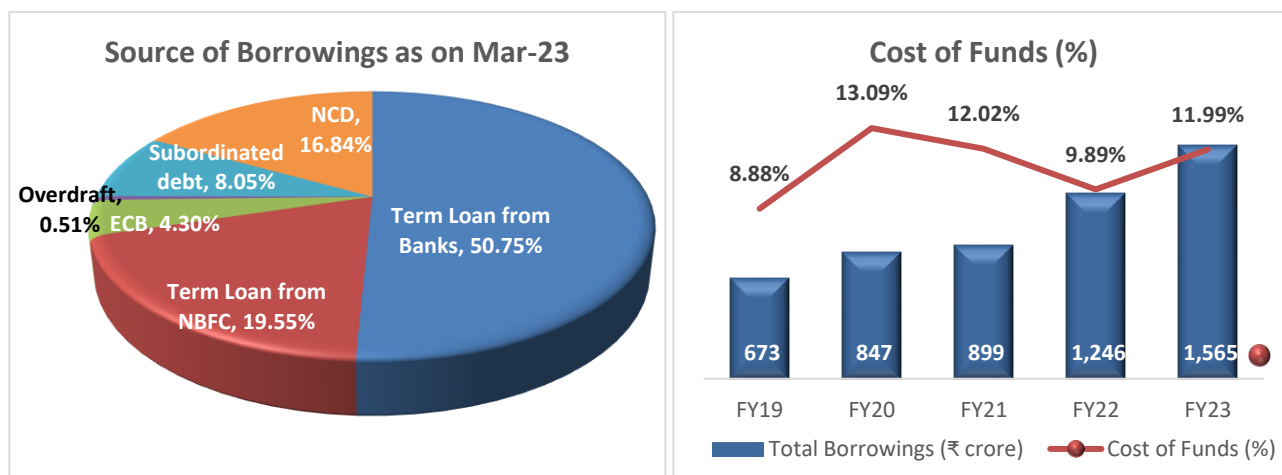
#### **Comfortable capital position backed by regular capital infusion from the promoters as well as Investors**



The adjusted gearing of the company has improved marginally to 4.5x as on March 31, 2023, from 4.7x as on March 31, 2022 owing to regular capital infusion. The company received ₹33 crore in FY23 and further ₹8 crore in Q1FY24 in the form of compulsory convertible preference shares (CCPS) from the existing investors. Along with the promoters who held 56.3% of the shareholding as on March 31, 2023, the company is backed by Kitara Capital (33.8% shareholding, including 1.1% of Ajit Singh Khimji) and ICICI Bank (9.9%). The capital adequacy ratio (CAR) remains adequate at 28.44% as on March 31, 2023. Going forward, the company is in the process of raising fresh equity of ₹200 crore in FY24, which in turn, is expected to result in an improvement in the company’s gearing profile.

### 1.2.4 Resource Profile

#### **Expansion of resource base**



M ML has banking relations with more than 40 banks and financial institutions (FIs) and has availed term loans, which form the major (70%) source of the total borrowings as on March 31, 2023, the remaining being non-convertible debentures (NCDs) and preference shares. MML has raised funds from organisations like the National Bank for Agriculture and Rural Development (NABARD), Micro Units Development & Refinance Agency Ltd (MUDRA) and the Small Industries Development Bank of India (SIDBI), which form 7% of the total borrowings. The company has also made securitisation and direct assignment transactions to access funds with its securitised/assigned portfolio standing at ₹335 crore (19% of the assets under management [AUM]), as on March 31, 2023. The company has been able to raise funds at competitive rates as compared to the peers.

### Liquidity: Adequate

The company has a favorable liquidity position, given the longer tenure borrowings repayable over two to 10 years as against the shorter tenure of MFI loans of up to two years, as also reflected by a well-matched asset and liability management (ALM) as on March 31, 2023. The expected inflows in the up to one-year bucket are ₹849 crore against the expected outflow of ₹912 crore. The company always maintains a sufficient liquidity buffer to meet its immediate disbursement requirements and any emergent payments.

Particulars	Upto 1 month	1-2 months	2-3 months	3-6 months	6-12 months	1-3 years	3-5 years	>5 years	Total
Total Inflows	249.98	106.61	96.91	248.51	425.84	851.84	12.75	13.25	2,005.70
Cumulative Inflows	249.98	356.60	453.51	702.02	1,127.86	1,979.70	1,992.45	2,005.70	
Total Outflow	195.50	83.81	73.54	216.81	419.55	429.32	174.24	412.95	2,005.70
Cumulative Outflow	195.50	279.30	352.84	569.65	989.20	1,418.51	1,592.75	2,005.70	
<b>Mismatch (B-A)</b>	<b>11.16</b>	<b>22.80</b>	<b>23.38</b>	<b>31.70</b>	<b>6.29</b>	<b>422.53</b>	<b>-161.49</b>	<b>-399.70</b>	<b>-</b>
<b>Cumulative Mismatch</b>	<b>54.49</b>	<b>77.29</b>	<b>100.67</b>	<b>132.37</b>	<b>138.66</b>	<b>561.19</b>	<b>399.70</b>	<b>-</b>	<b>-</b>
<b>Cumulative mismatch as % of cumulative outflow</b>	<b>28%</b>	<b>28%</b>	<b>29%</b>	<b>23%</b>	<b>14%</b>	<b>40%</b>	<b>25%</b>	<b>0%</b>	

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Non Banking Financial Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Microfinance Institutions

MML was originally incorporated as Sajan Hire Purchase Pvt Ltd (SHPPL) on May 28, 1988. SHPPL was engaged in the hire-purchase business. Subsequently, in January 2011, the name of the company was changed to Midland Microfin Limited. The hire-purchase business was also discontinued at the same time. MML is registered with the Reserve Bank of India (RBI) as an NBFC-MFI since January 2015.

MML currently operates in 12 states – Punjab, Rajasthan, Haryana, Bihar, Uttar Pradesh, Jharkhand, West Bengal, Uttarakhand, Madhya Pradesh, Gujarat, Himachal Pradesh, Odisha, and two Union Territory – Chandigarh and Jammu Kashmir. The operations are managed through a network of 329 with more than 6.43 lakh active JLG borrowers as on March 31, 2023. The AUM stood at ₹1,789 crore (including a securitised pool of ₹335 crore) as on March 31, 2023.

### Financial performance

(₹ crore)

INR crore	FY19	FY20	FY21	FY22	FY23
Result Type:	Audited	Audited	Audited	Audited	Audited
Particulars					
Disbursements	836.54	1,034.60	688.82	1,338.51	1949.63
Interest income	107.55	165.28	175.87	192.45	335.46
Interest on investment	4.81	12.61	15.08	15.1	19.22
Other operating income	1.32	5.61	1.27	11.97	39.72
Other income	2.21	0.64	0.14	0.26	0.51
Total Income	115.89	184.14	192.35	219.77	394.91
Interest Expended	59.76	99.49	104.93	105.99	168.45
Net Interest Income	52.60	78.40	86.01	101.56	186.23
Employee Costs	27.54	36.40	38.62	52.08	74.72
Other Operating expenses	14.07	15.26	13.62	20.14	35.74
Depreciation & Amortization	1.68	3.64	3.76	3.01	3.01
PPOP	12.85	29.35	31.41	38.56	112.99
Provisions	0.21	4.27	12.40	9.24	51.48
Total Expense	103.25	159.07	173.33	190.46	333.40
PBT	12.64	25.08	19.01	29.32	61.51
Tax	3.99	6.35	4.38	7.04	14.68
PAT	8.65	18.73	14.63	22.28	46.83
Tangible Net Worth	81.26	115.97	171.60	264.26	345.41
Total Borrowings	672.66	847.19	898.68	1,245.65	1565.06
Investments	5.00	-	-	15.00	80.00
Loan outstanding (balance sheet)	547.25	734.60	776.25	1,064.23	1,545.00
Total Assets	780.21	985.03	1,094.60	1,562.76	1,988.06
Managed portfolio	50.00	95.00	34.58	105.01	328.40
AUM	549.00	778.00	799.00	1,137.42	1,789.44
<b>Key Ratios (%)</b>					
Interest Income/ loan portfolio (yield on advances) (%)	19.65	25.79	23.28	20.91	25.71
Interest Expense / Avg. Total Borrowings (cost of funds) (%)	8.88	13.09	12.02	9.89	11.99
Interest spread (%)	11.80	12.33	11.18	11.03	13.73
<b>ROTA Chain (On B/S)</b>					
Net Interest Margin (%)	9.05	8.88	8.27	7.64	10.49
Other Income / Avg Total Assets (%)	0.45	0.71	0.14	0.92	2.27
Opex/Average Total Assets	7.41	6.27	5.39	5.66	6.39
Credit Cost/Average Total Assets (%)	0.04	0.48	1.19	0.70	2.90

INR crore	FY19	FY20	FY21	FY22	FY23
Result Type:	Audited	Audited	Audited	Audited	Audited
ROTA (%)	1.48	2.12	1.41	1.68	2.64
RONW (%)	13.04	18.99	10.18	10.22	15.36
Overall Debt/ Equity ratio (times)	8.28	7.31	5.24	4.71	4.53
AUM / Networth (times)	6.76	6.71	4.66	4.30	5.18
Capital Adequacy Ratio (CAR) (%)	23.32	24.57	33.96	33.72	28.44
Tier I CAR (%)	18.19	15.87	22.09	24.48	21.01
<b>Asset Quality Ratios (%)</b>					
Gross NPA (%)	0.48	0.57	1.69	3.07	0.06
1- year Lagged GNPA (%)	0.76	0.77	1.80	4.20	0.09
Net NPA Ratio (%)	0.12	0.05	0.35	0.96	0.03
Provision Coverage	74.92	91.02	80.06	69.40	56.04
Net NPA to Net worth (%)	0.82	0.32	1.52	3.78	0.12
Net stress assets (%)	0.82	0.32	8.81	9.06	20.51*

\*considering security receipt of ₹80 crore as stress assets

A: Audited P: Provisional

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Details of rated facilities:** Please refer Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	20-Sep-2024	510.00	CARE BBB+; Stable
Debentures-Non-convertible debentures	INE884Q07061	04-Jul-2016	12%	04-Jan-2024	7.11	CARE BBB+; Stable
Debentures-Non-convertible debentures	INE884Q07038	04-Jul-2016	12%	04-Jan-2024	0.92	CARE BBB+; Stable
Non-convertible debentures	INE884Q07616	18-Jan-2021	11.62%	18-Jan-2024	25.00	CARE BBB+; Stable
Non-convertible debentures	INE884Q07608	26-Nov-2020	11.73%	26-Nov-2023	25.00	CARE BBB+; Stable
Debentures-Non-convertible debentures	INE884Q08283	21-Dec-2022	13.63%	15-Dec-2026	34.00	CARE BBB+; Stable

**Annexure-2: Rating history of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non-Convertible Debentures	LT	8.03	CARE BBB+; Stable	1)CARE BBB+; Stable (23-Jun-23)	1)CARE BBB; Positive (20-Dec-22)	1)CARE BBB; Stable (10-Feb-22)	1)CARE BBB; Stable (30-Mar-21) 2)CARE BBB; Stable (11-Feb-21)
2	Fund-based - LT-Term Loan	LT	510.00	CARE BBB+; Stable	1)CARE BBB+; Stable (23-Jun-23)	1)CARE BBB; Positive (20-Dec-22)	1)CARE BBB; Stable (31-Mar-22) 2)CARE BBB; Stable (10-Feb-22)	1)CARE BBB; Stable (11-Feb-21)
3	Debentures-Non-Convertible Debentures	LT	50.00	CARE BBB+; Stable	1)CARE BBB+; Stable (23-Jun-23)	1)CARE BBB; Positive (20-Dec-22)	1)CARE BBB; Stable (10-Feb-22)	1)CARE BBB; Stable (11-Feb-21) 2)CARE BBB; Stable (06-Nov-20)
4	Loan-Long Term	LT	5.19	CARE A-(CE); Stable	-	1)CARE A-(CE); Stable (15-Feb-23)	1)CARE A-(CE); Stable (28-Mar-22) 2)CARE A-(CE); Stable (20-Aug-21)	1)Provisional CARE A-(CE); Stable (30-Mar-21)
5	Debt-Non-convertible Debenture/Subordinate Debt	LT	-	-	-	-	1)Withdrawn (31-Mar-22) 2)CARE BBB; Stable (10-Feb-22)	1)CARE BBB; Stable (19-Mar-21)
6	Un Supported Rating	LT	0.00	CARE BBB	-	1)CARE BBB (15-Feb-23)	1)CARE BBB (28-Mar-22)	-
7	Debentures-Non-Convertible Debentures	LT	34.00	CARE BBB+; Stable	1)CARE BBB+; Stable	1)CARE BBB; Positive	-	-

					(23-Jun-23)	(20-Dec-22)		
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\*Long term/Short term.

### Annexure-3: Details of rated facilities

#### 1. Long-term facilities

##### 1.A. Term loans

S. No.	Name of the Institution	Type of Facility	Amount sanctioned (₹ crore)	Amount O/S (₹ crore) as on May 31, 2023
1	ICICI Bank	TL	250	195.16
2	SBM Bank (India) Limited	TL	30.99	11.25
3	Bank of Baroda	TL	30	15.00
4	Canara Bank	TL	30	28.58
5	DCB Bank Ltd	TL	30	26.16
6	Indian Bank	TL	45	28.01
7	Indian Overseas Bank	TL	10	10.00
8	Kotak Mahindra Bank	TL	60	32.23
9	MUDRA	TL	50	33.33
10	SIDBI	TL	75	52.50
11	UCO Bank	TL	45	22.41
12	Yes Bank	TL	30	23.96
13	Proposed	TL		31.41
	<b>Total</b>			<b>510.00</b>

**Total long-term facilities: ₹510.00 crore**

### Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Annexure-5: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable