



Ref. No. 33/ 2024-2025

August 06, 2024

The General Manager
Listing Operation
BSE Limited
Phiroze Jeejeeboy Towers
Dalal Street
Mumbai-400001

Sub: Intimation under Regulation 55 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (Listing Regulation)- Credit Rating

Dear Sir / Madam,

Pursuant Regulation 55 SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (Listing Regulation) we wish to inform that CARE Ratings Limited has reaffirmed and enhanced the ratings for the Short Term and Long Term Instruments of the Company as mentioned below:

Rating Agency	Instruments	Existing Rating	Reaffirmed Rating
CARE	Non-Convertible Debentures	CARE AA-; Stable	CARE AA-; Stable
	Subordinated Debt	CARE AA-; Stable	CARE AA-; Stable

We enclose herewith the Credit Rating letters issued by CARE Ratings Limited.

This is for your information and appropriate dissemination.

Thanking you,
Yours faithfully,

For Belstar Microfinance Limited

Sunil Kumar Sahu
Company Secretary and Chief Compliance Officer

Press Release
Belstar Microfinance Limited
 August 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Subordinate debt - II	85.00	CARE AA-; Stable	Reaffirmed
Non-Convertible Debentures - III	24.00	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the various debt instruments of Belstar Microfinance Limited (BML) continues to derive strength from its strong parentage of Muthoot Finance Limited and benefits derived from being part of the Muthoot group, long track record of BML in the microfinance institution (MFI) industry, adequate capitalisation levels and growth in Asset under Management (AUM) of 62% during FY24 from Rs. 6,192 crore as on March 31, 2023 to Rs. 10,023 crore as on March 31, 2024. The ratings also takes note of improvement in profitability during FY24 with increase in the yield on advances. The ratings are, however, constrained by the geographical concentration of the loan portfolio, despite continuous efforts by the company to improve the same; the moderately-diversified resource profile; and regulatory and political risks inherent to the MFI industry. The ratings also take note of the improvement in the asset quality parameters during FY24 with write-offs during the year.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations along with geographical diversification, with no single state contributing to more than 15% of the portfolio.

Negative factors

- Decline in the asset quality parameters and profitability.
- Decline in the capital adequacy levels, with the total capital adequacy ratio (CAR) falling below 16% on a sustained basis.
- Deterioration in the credit profile of the parent or significant moderation in the shareholding of the parent.

Analytical approach:

Standalone; factoring in the linkages with the parent, Muthoot Finance Limited.

Outlook: Stable

The 'stable' outlook reflects the likely continuation of a stable credit profile with adequate capitalization levels and good profitability parameter

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
 CARE Ratings Limited

Detailed description of the key rating drivers:

Key strengths

Strong promoter group and benefits derived from being part of the Muthoot group

BML is a subsidiary of Muthoot Finance Limited (MFL), the flagship company of the Muthoot group. BML derives benefits in the form of managerial and financial support from the group. The Muthoot group has a long track record of establishing and successfully running non-banking financial companies (NBFCs). MFL has around seven decades of experience in the gold loan business. It is the largest gold loan NBFC in terms of size the overall portfolio stood at ₹75,827 crore as on March 31, 2024 and the brand 'Muthoot' has a strong brand image and is well-positioned among its customers. This aids BML in expanding the branch network to new geographies in which MFL has a presence. Apart from equity and operational support, the group also provides funding support in the form of debt on a need basis. As part of the diversification strategy, the group has ventured into microfinance through the acquisition of BML and into housing finance through Muthoot Home Fin (India) Ltd (rated 'CARE AA+; Stable/ CARE A1+'). The shareholding of MFL stood at 63.86% as on March 31, 2024. CARE Ratings expects that the company will continue to benefit from being part of the Muthoot Group.

Long track record of operations

BML has an established track record and has been carrying out microfinance lending activities since September 2008. During FY17, MFL acquired BML through a combination of acquisition of shares from existing investors and fresh equity infusion, and BML became a subsidiary of MFL. BML commenced its microfinance operations in April 2009 at the Haveri district of Karnataka. Subsequently, it extended to other states and, as on March 31, 2024, the company has presence in 19 states and UTs.

Dr Kalpanaa Sankar, Managing Director of BML, has over two decades of experience in microfinance activities in Tamil Nadu and has been a consultant with various projects in the United Nations (UN) office. The board of BML consists of 11 members with extensive experience in NBFCs, rural banking, and operations, including four independent directors, three representatives from the Muthoot group, two representative from Dr Kalpana sankar group, and one each representative from Affirma Capital and Maj invest. The operations of the company are professionally managed and headed by the Founder and Managing Director, Dr Kalpanaa Sankar. The day-to-day operations are looked after by a team of experienced professionals, with each function being looked after by an experienced team, headed by key management people having vast experience in the NBFC and MFI space.

Adequate capitalization levels aided by periodic equity infusion and parent support

CAR and Tier-1 CAR has moderated from 21.97% and 20.30% respectively as on March 31, 2023 to 20.64% and 17.78% respectively as on March 31, 2024. During FY24, BML has raised Rs.300 crore of equity through rights issue from MFL. Gearing stood constant at 4.36x as on March 31, 2024 as against 4.50x as on March 31, 2023. Considering the growth plan envisaged by

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

the company, the gearing is expected to remain moderate over the medium term. CARE Ratings expects MFL to support BML with equity or debt as capital when required to support the capitalisation level and business growth.

Continuous improvement in the scale of operations

AUM has grown at a rate of 62% in FY24 from Rs.6,192 crore as on March 31, 2023 to Rs. 10,021 crore as on March 31, 2024. The growth in AUM is achieved by good increasing in number of branches and improving the productivity as well. AUM per branch has improved from Rs. 8.07 crore as on March 31, 2023 to Rs.9.08 crore as on March 31, 2024. Disbursement per branch has also improved from Rs.7.30 crore in FY23 to Rs 9.57 crore in FY24. During FY24, BML has also improved its presence significantly from 729 branches in 186 districts of 18 states as on March 31, 2023, to 1014 branches in 278 districts of 19 states as on March 31, 2024

Improvement in the asset quality parameters during FY24

The company had written-off Rs.178 crore during FY24. Accordingly, Gross NPA decreased from 2.42% as on March 31, 2023, to 1.82% as on March 31, 2024. Provision coverage ratio improved from 73.33% as on March 31, 2023 to 90.69% as on March 2024. As a result, Net NPA improved from 0.66% as on March 31, 2023 to 0.17% as on March 31, 2024. The standard restructured portfolio outstanding stood nil as on March 31, 2024 as against 0.21% as on March 31, 2023. 0+ increased from 3.65% as on March 2023, to 4.39% as on March 31, 2024. CARE Ratings expects the asset quality to be remain moderate in the near term.

Improvement in profitability during FY24

During FY24, BML reported a profit-after-tax (PAT) of ₹370 crore on a total income of ₹1881 crore (PPOP: ₹792 crore), as against a PAT of ₹130 crore on a total income of ₹1038 crore (PPOP: ₹314 crore) during FY23. Yield on advances increased from 20.04% in FY23 to 24.99% in FY24 with repricing of fresh loans from FY23. With increase in yields, Net interest margin (NIM) stood at 14% in FY24 as against 9.38% in FY23. Despite increase in number of branches and increase in the number of employees per branch, the operating expenditure (opex) stood at 5.92% during FY24 as against 6.06% during FY23. Credit cost increased to 4.04% during FY24 from 2.62% during FY23 with higher write-offs during the year. Despite the increase in credit cost, ROTA improved to 4.67% during FY24 from 2.36% during FY23 due to improvement in NIM.

Key weaknesses

Moderately diversified resource profile

The share of bank borrowings stood at 73.71% as on March 31, 2024 (PY: 72.13%). The borrowings from NBFCs and financial institutions (FIs) stood at 12.24% as on March 31, 2024 as against 11.59% as on March 31, 2023. The share of NCDs and MLD stood constant at 10.19% as on March 31, 2024, as against 14.85% as on March 31, 2023. The share of sub-debt increased to 3.86% as on March 31, 2024 as against 1.43% as on March 31, 2023. BML also raised funds on a need basis from the Muthoot group companies. The company has term loans from the Muthoot group and the outstanding as on March 31, 2024, stood at

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

₹43.86 crore, which is 1% of the total borrowings. BML has also actively engaged in direct assignment (DA) transactions mainly from public-sector undertaking (PSU) banks. As on March 31, 2024, the DA outstanding stood at ₹1462 crore as on March 31, 2024, as against ₹1479 crore as on March 31, 2023.

Geographically concentrated loan portfolio

BML has presence in 19 states and UTs and have ventured into Andhra Pradesh during FY24. The company has opened 247 new branches across states during FY24. As on March 31, 2024, BML has a presence in 278 districts of 19 states through 1014 branches, as against 217 districts in 18 states through 767 branches as on March 31, 2023. Notwithstanding branch expansion, the loan portfolio of the company remained geographically concentrated. Tamil Nadu, the home state of BML, continues to be the top concentrated state, with 47% of the AUM (PY: 49%) as on March 31, 2024. The top three states Tamil Nadu, Madhya Pradesh, and Karnataka accounted for 62% of AUM as on March 2024 (PY: 62%). The ability of the company to increase its scale of operations by expanding into new regions to reduce geographical concentration remains a key rating sensitivity

Liquidity: Adequate

The asset and liability management (ALM) remains adequate on account of the short-term products, as most of the loans amortise on monthly with a tenure of around two to three years. The funding profile is concentrated with borrowings which is matched with liabilities and the trend is likely to be continued, resulting in an adequate liquidity profile. The ALM, as on March 31, 2024, remains comfortable, with no cumulative negative mismatches in any of the time buckets up to one year. Cash and bank balance stood at ₹ 694 crore as on March 31, 2024. Also, the company's unveiled sanctions, undrawn working capital limits and the support from the Muthoot group adds comfort.

Assumptions/Covenants - NA

Environment, social, and governance (ESG) risks - NA

Applicable criteria

- [Policy on default recognition](#)
- [Factoring Linkages Parent Sub JV Group](#)
- [Financial Ratios - Financial Sector](#)
- [Rating Outlook and Credit Watch](#)
- [Non Banking Financial Companies](#)

About the company and industry

Industry classification

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

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

Belstar Microfinance Limited (BML) was incorporated in January 1988 and registered with RBI as a non-deposit taking, non-banking financial company (NBFC-ND) in March 2001. In September 2008, Belstar was acquired by Dr Kalpanaa Sankar, Her family and some colleagues to provide scalable microfinance loans to entrepreneurs, Later in 2017 BML was Acquired by Muthoot finance Limited with 53% stake. BML started its microfinance operations at Haveri district of Karnataka. Subsequently, it extended to other states and as on March 31, 2024, the company has presence in nineteen states. BML provides loans towards agriculture, animal husbandry, education, and micro-enterprises in the urban and semi-urban districts under SHG/JLG-based lending model. As on March 31, 2024, BML was operating with 1014 branches in 278 districts across 19 states and had AUM of Rs.10,023 crore extended to 7.47 lakh SHG/JLG groups consisting of 47.43 lakh members. As on March 31, 2024, 63.86% stake of BML was held by MFL, 13.94 % by Arum Holdings Limited, 9.00% by Sarvam Financial Inclusion Trust, 8.74% stake held by Maj Invest Financial Inclusion Fund II K/S, 4.02% by Augusta Investments Zero PTE limited and the rest is held by Hand in Hand consulting services private limited (0.41%).

The Microfinance industry (MFI) experienced growth in FY24 at a rate of 28% Y-o-Y due to a favourable macroeconomic climate and renewed demand, which has led to a surge in disbursements over the past few quarters. Care Edge Ratings anticipates MFI to grow at a rate of 25%% y-o-y in FY 2025. However, increasing customer indebtedness, rising average ticket size and a gradual shift from the JLG model to individual loans pose the risk of overleveraging for the industry. Further, with RBI guiding the MFIs to restrict their lending rates in order to avoid unfair interest rate practices, NIMs are expected to moderate and in turn, RoTA is expected to come down. With continuous support from investors and rising disbursement levels, the gearing level are expected to remain at 4x levels for March 31, 2025.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	728	1,037	1,851
PAT	45	130	339
Interest coverage (times)	1.19	1.46	1.75
Total Assets	4508	6,305	9,533
Net NPA (%)	2.32	0.66	0.17
ROTA (%)	1.13	2.36	4.29

A: Audited Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures - III	INE443L08107	03-Dec-19	14.50	03-Dec-25	24.00	CARE AA-; Stable
Debt-Subordinate Debt - II	INE443L08115	30-Mar-20	14.50	15-May-26	15.00	CARE AA-; Stable
Debt-Subordinate Debt- II	INE443L08123	14-Sep-20	14.00	01-Sep-25	20.00	CARE AA-; Stable
Debt-Subordinate Debt- II	INE443L08131	30-Sep-20	14.50	20-Sep-27	50.00	CARE AA-; Stable

Annexure-2: Rating history for the 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 2024-2025	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
1	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (16-Aug-21)
2	Debt-Subordinate Debt	LT	85.00	CARE AA-; Stable	-	1)CARE AA-; Stable (08-Aug-23)	1)CARE AA-; Stable (10-Aug-22)	1)CARE A+; Stable (16-Aug-21)
3	Debentures-Non Convertible Debentures	LT	24.00	CARE AA-; Stable	-	1)CARE AA-; Stable (08-Aug-23)	1)CARE AA-; Stable (10-Aug-22)	1)CARE A+; Stable (16-Aug-21)
4	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (10-Aug-22)	1)CARE A+; Stable (16-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable

Annexure-4: Complexity level of the various instruments rated

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debt-Subordinate Debt	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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.

Contact us

<p>Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: : 91 44 2850 1001 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts Sanjay agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3500 E-mail: sanjay.Agarwal@careedge.in</p> <p>Vineet Jain Senior Director CARE Ratings Limited Phone: 91 -22 -6754 3456 E-mail: Vineet.jain@careedge.in</p> <p>Ravi Shankar R Associate Director CARE Ratings Limited Phone: +91-44-2850 1016 E-mail: Ravi.s@careedge.in</p>
---	--

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in

CIN-L67190MH1993PLC071691

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**

CARE Ratings Limited

Unit No: O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002
Phone: +91-44-2849 0811 / 13 / 76

Corporate Office :4th Floor, Godrej Coliseum,
Somaiya Hospital Road, Off Eastern Express
Highway, Sion (E), Mumbai - 400 022
Phone: +91-22-6754 3456 • www.careedge.in