Registered & Corporate Office:
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Tamil Nadu, India.
044-4341 0500 belstar.in
CIN: U06599TN1988PLC081652

Ref. No. 25/ 2026-2027
August 03, 2026
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 the subordinated debt Instruments of the Company as mentioned below:

Rating Agency	Instruments	Existing Rating	Reaffirmed Rating
CARE	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 Digitally signed by SUNIL KUMAR SAHU
Date: 2026.08.03 10:31:01 +05'30'

Sunil Kumar Sahu
Company Secretary

Belstar Microfinance Limited

July 31, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Subordinated Debt	SEBI	50.00 (Reduced from 85.00)	CARE AA-; Stable	Reaffirmed
Non-convertible debentures	MCA	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings for debt instruments of Belstar Microfinance Limited (BML) reflects its strong parentage of Muthoot Finance Limited (MFL), demonstrated financial and operational support from the Muthoot group, established franchise in the microfinance sector (MFI), and comfortable capitalisation levels. Ratings also benefit from BML's diversified geographic presence, experienced management team, and improving collection infrastructure.

BML's scale of operations recovered in FY26 after the contraction reported in FY25. Disbursements increased by 26% to ₹7,586 crore in FY26 from ₹6,016 crore in FY25, while assets under management (AUM) improved to ₹8,222 crore as on March 31, 2026, from ₹7,969 crore as on March 31, 2025. Improvement reflects gradual normalisation in business activity supported by better collection performance and calibrated growth initiatives.

Ratings remain constrained by the inherent risks of the microfinance sector, including exposure to regulatory and political interventions, moderate geographic concentration, and profitability and asset quality pressures observed across the industry in the last two years. The sector continues to recover from stress arising from borrower overleveraging, adverse climatic conditions, political developments, and weaker collection trends in FY25. However, operating metrics have stabilised in FY26, supported by improving collection efficiencies and a moderation in fresh delinquencies.

Asset quality remained under pressure in FY26 due to the residual impact of industry-wide stress, with gross non-performing assets (GNPA) increasing to 5.54% as on March 31, 2026 (March 31, 2025: 4.98%). However, the company maintained a conservative provisioning policy, resulting in an improved provision coverage ratio of 98.06% (FY25: 91.85%) and a lower Net NPA (NNPA) of 0.11% as on March 31, 2026 (March 31, 2025: 0.44%). Profitability remained subdued due to elevated credit costs and higher operating expenses incurred towards scaling up the gold loan business and strengthening operational infrastructure reflected by return on total average assets (ROTA) of 0.33% in FY26 (FY25: 0.55%). Yet, the company continued to maintain an adequate capital position.

Going forward, the company's credit profile is expected to benefit from improving collection trends, moderation in incremental stress, conservative provisioning practices, and diversification into the secured gold loan segment. The continued strategic importance of BML within the Muthoot group and the parent's demonstrated ability and willingness to extend financial and operational support would remain a key strength. While profitability is expected to remain modest in the near term, the company's asset quality indicators and operating performance are likely to improve gradually as industry conditions normalise and recovery efforts gain traction.

CARE Ratings Limited (CareEdge Ratings) has withdrawn ratings on sub-debt (INE443L08115 and INE443L08123) and non-convertible debentures (NCDs; INE443L08107) due to redemption of debentures on maturity and ratings are withdrawn per CareEdge Ratings' policy on withdrawal.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

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

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- 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, MFL.

Outlook: Stable

The 'stable' outlook reflects the likely continuation of a stable credit profile with adequate capitalisation levels with continued support from parent, MFL.

Detailed description of key rating drivers

Key strengths

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

BML derives strong strategic, operational, and financial support from its parent, MFL, the Muthoot group's flagship company and India's largest gold loan non-banking financial company (NBFC), with a gold loan portfolio of ₹1,65,030 crore as on March 31, 2026. The company benefits from the established Muthoot brand, extensive market presence, and the group's longstanding experience in managing NBFC operations, which has supported its expansion across geographies. The group also provides funding support, including debt and equity infusion, as required. As on March 31, 2026, MFL held a 66.13% stake in BML. Given its strategic importance within the group's diversified financial services portfolio, CareEdge Ratings expects BML to continue benefiting from the Muthoot Group's financial support.

Long track record and established management team

BML has an established track record in the microfinance sector, having commenced operations in April 2009 in Karnataka. The company's growth accelerated following its acquisition by MFL in FY17 through a combination of share purchase from existing shareholders and fresh capital infusion. Since then, BML has strengthened its market position and scaled its operations under the Muthoot group's ownership.

BML benefits from the leadership of its Founder and Managing Director, Dr Kalpana Sankar, who brings over two decades of experience in the microfinance sector. As on March 31, 2026, the Board comprised 12 directors, including five independent directors, representatives of the Muthoot group, and nominee directors of institutional investors, providing diverse expertise across financial services, rural banking, risk management, and operations. The company's day-to-day operations are managed by an experienced senior management team with strong expertise in microfinance and NBFC operations, supporting business growth, risk management, and operational efficiency.

Adequate capitalisation supported by periodic equity infusions and parent support

BML's capitalisation profile remains adequate, supported by periodic capital infusions from MFL and other shareholders, the latest being ₹300 crore received through a rights issue by the parent in FY24.

As on March 31, 2026, the capital adequacy ratio (CAR) and Tier-I CAR stood at 23.50% and 22.88%, respectively (as on March 31, 2025: CAR: 24.97% and Tier I CAR: 22.40%), remaining comfortably above regulatory requirements and providing sufficient capital cushion for growth and risk absorption. Gearing remained stable at 3.43x as on March 31, 2026 (March 31, 2025: 3.43x), supported by moderated portfolio growth and prudent balance sheet management amid sector-wide challenges.

Given its strong association with MFL, BML benefits from demonstrated financial flexibility and is expected to receive timely capital support, in the form of equity or subordinated debt, as required. The current capitalisation level is considered adequate to support its medium-term growth plans, with gearing expected to remain below 5.0x.

Growing scale of operations

BML has established a moderate franchise in the domestic microfinance segment, with a geographically diversified presence across 21 states. Despite a challenging operating environment, the company reported a modest increase in AUM of ₹8,222 crore as on March 31, 2026, from ₹7,969 crore as on March 31, 2025. Disbursements grew by 26% to ₹7,586 crore in FY26, supported by calibrated growth initiatives and an improving operating environment. The company further strengthened its distribution network in FY26, expanding to 1,321 branches across 318 districts, compared to 1,281 branches across 291 districts in the previous year.

As part of its diversification strategy, BML commenced gold loan operations in April 2025 and established 81 dedicated gold loan branches by March 31, 2026. The increasing share of secured lending is expected to enhance portfolio diversification, reduce dependence on microfinance lending, and strengthen overall risk resilience. As on March 31, 2026, AUM comprised 91% microfinance loans, 6% small enterprise loans, 2% gold loans, and 1% other loans, compared to 92% microfinance loans, 6% small enterprise loans, and 2% other loans as of March 31, 2025.

While BML has demonstrated steady growth and continued geographic expansion, its scale remains moderate relative to larger industry peers. Its ability to sustain growth while maintaining asset quality and profitability will remain a key monitorable going forward.

Key weaknesses

Moderate asset quality

BML's asset quality remained under pressure in FY26 due to continued stress in the microfinance sector, driven by elevated borrower indebtedness and weakened repayment behaviour in certain geographies.

As on March 31, 2026, GNPA increased to 5.54% from 4.98% as on March 31,2025. However, NNPA improved significantly to 0.11% from 0.44% over the same period, supported by strong provisioning and write-offs. While the 0+ days past due (DPD) improved to 8.82% as on March 31, 2026, from 11.60% as on March 31, 2025, indicating moderation in fresh delinquency formation, the 90+ DPD rose to 8.13% from 7.15%, reflecting the ageing of stressed accounts. In FY26, BML wrote off ₹563.09 crore and maintained a strong provision coverage ratio of 98.06%, compared to 91.85% in FY25, providing a substantial buffer against potential credit losses. Collection efficiency remained relatively stable at 91%-93% in the year.
Although asset quality metrics continue to reflect sector-wide challenges, improvement in early-stage delinquencies, strong provisioning coverage, and stable collection efficiency provide some comfort. Going forward, BML's ability to achieve sustained improvement in asset quality and contain credit costs amid the evolving industry environment will remain a key monitorable.

Moderate profitability levels

BML's profitability moderated in FY26 due to pressure on net interest margins and elevated operating expenses associated with its diversification strategy. The company reported a profit after taxation (PAT) of ₹25 crore in FY26, compared to ₹46 crore in FY25.

net income margin (NIM) declined to 14.84% in FY26 from 15.66% in FY25, primarily due to a shift in portfolio mix with gradual scaling up of lower-yielding gold loan portfolio and the run-down of higher-yielding legacy microfinance assets. Operating expenses increased to 8.89% of average total assets from 6.59% in FY25, driven by investments in establishing and expanding the gold loan franchise, including higher employee and branch-related costs. Partially offsetting these pressures, credit costs declined to 7.30% in FY26 from 9.78% in FY25, supported by strong provisioning and moderation in incremental stress. However, lower margins and a higher operating cost base resulted in subdued earnings, with ROTA declining to 0.33% in FY26 from 0.55% in FY25.

Going forward, credit costs are expected to stabilise although operating expenses may remain elevated in the near term due to continued investments in the gold loan business. BML's ability to improve profitability through operating leverage, maintain asset quality, and sustain lower credit costs as the new business vertical scales up will remain a key monitorable.

Geographically concentrated loan portfolio

Despite gradual diversification efforts, BML's loan portfolio continues to exhibit geographic concentration, with a significant exposure to southern states. Tamil Nadu, the company's largest market, accounted for ~43% of AUM as on March 31, 2026. The concentration remains relatively high, with the top three states of Tamil Nadu, Karnataka, and West Bengal contributing ~62% of the overall AUM as on March 31, 2026 (March 31, 2025: 61%). Consequently, the company's performance remains susceptible to economic, competitive, climatic, and regulatory developments in these key markets.

To mitigate concentration risk, BML expanded into newer geographies and diversified its product portfolio through the introduction of secured lending. The recently launched gold loan business has been scaled across multiple states, including Tamil Nadu, Karnataka, Andhra Pradesh, and Telangana, and is expected to support portfolio diversification in the medium term. Yet, geographic concentration remains a key risk factor, and the company's ability to further diversify its portfolio while maintaining performance in newer markets will remain an important monitorable.

Moderately diversified resource profile
BML maintains a diversified funding profile, with bank borrowings continuing to constitute majority funding mix. BML maintained a diversified funding profile as on March 31, 2026, with bank borrowings constituting majority resource base at 88.46% of total borrowings, followed by subordinated debt at 5.48%, NCDs at 3.48%, and borrowings from NBFCs and financial institutions at 2.58% compared to bank borrowings at 91.61% of total borrowings, subordinate debt at 5.05%, NCD at 0.96% and borrowings from NBFCs and financial institutions at 2.38% as on March 31,2025.

The company also benefits from funding flexibility through direct assignment (DA) transactions, primarily with public sector banks. The outstanding DA portfolio increased to ₹1,458 crore as on March 31, 2026, from ₹784 crore as on March 31, 2025, providing an additional source of liquidity and balance sheet management.

BML's average cost of borrowings remained largely stable at ~9.0% as on March 31, 2026. The company's diversified funding profile, access to multiple borrowing channels, and adequate liquidity position support its financial flexibility. Going forward, its ability to maintain funding diversification, liquidity, and competitive borrowing costs will remain an important credit consideration.

Liquidity: Adequate
BML's liquidity profile remained adequate, supported by the relatively short-tenor nature of its loan portfolio, with majority assets comprising microfinance loans having contractual maturities of ~2-3 years. As reflected in the asset liability management (ALM) statement, the company reported no cumulative negative mismatches across any maturity buckets up to five years as on March 31, 2026. The company maintains liquidity in the form of unencumbered cash and bank balances of ₹521 crore, which is sufficient for debt repayment obligations of next 1.5 months.

The company also has undrawn sanctioned bank lines of ~₹1,900 crore as on March 31, 2026. The company's association with the Muthoot group provides comfort.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Withdrawal Policy
Non-Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Microfinance institutions

BML incorporated in 1988 and registered as an NBFC-ND with the RBI in 2001, commenced microfinance operations in Karnataka and has since expanded its presence across 21 states. Following the acquisition of a majority stake by MFL in FY17, the company witnessed significant growth in scale and operations.

As on March 31, 2026, BML operated through 1,312 branches across 318 districts with an AUM of ₹8,222 crore. The company offers a range of microfinance products under the SHG/JLG model and has also diversified into other lending segments, including small enterprise and gold loans.
As on March 31, 2026, MFL held a 66.13% stake in BML, with the balance shareholding held by Arum Holdings Limited (13.94%), Maj Invest Financial Inclusion Fund II K/S (8.74%), Sarvam Financial Inclusion Trust (7.15%), and Augusta Investments Zero Pte. Limited (4.02%)

Brief Financials- Standalone (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (A)
Total income	1,792	2,114	1,829
Profit after tax (PAT)	340	46	25
Assets under management (AUM)	10,023	7,969	8,222
On-book gearing (x)	4.36	3.43	3.43
AUM / tangible net-worth (TNW) (x)	6.00	4.86	4.91
Gross non-performing assets (NPA) / gross stage 3 (%)	1.82	4.98	5.54
Return on managed assets (ROMA) (%)	3.61	0.48	0.28
Capital adequacy ratio (CAR) (%)	20.64	24.97	23.50

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	MCA	Simple	INE443L08107	03-Dec-2019	14.50	03-Dec-2025	0.00	Withdrawn
Debt-Subordinate Debt	MCA	Complex	INE443L08115	30-Mar-2020	14.50	15-May-26	0.00	Withdrawn
Debt-Subordinate Debt	MCA	Complex	INE443L08123	14-Sep-2020	14.00	01-Sep-25	0.00	Withdrawn
Debt-Subordinate Debt	SEBI	Complex	INE443L08131	30-Sep-2020	14.50	30-Sep-2027	50.00	CARE AA-; Stable

Annexure-2: Rating history for 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 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Debt-Subordinate Debt	LT	50.00	CARE AA-; Stable	-	1)CARE AA-; Stable (01-Aug-25)	1)CARE AA-; Stable (06-Aug-24)	1)CARE AA-; Stable (08-Aug-23)
2	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA-; Stable (01-Aug-25)	1)CARE AA-; Stable (06-Aug-24)	1)CARE AA-; Stable (08-Aug-23)

LT: Long term

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

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

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About us:
Established in 1993, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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