

Ref: SEC/MFL/SE/2020/3713

December 12, 2020

**National Stock Exchange of India Ltd.**  
Exchange Plaza  
Plot no. C/1, Block G,  
Bandra- Kurla Complex,  
Bandra (E), Mumbai - 400 051  
Symbol: MUTHOOTFIN

**BSE Limited,**  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001  
Scrip Code: 533398

Dear Sir/Madam,

**Sub: Intimation under Regulation 30, 51(2), 56(1)(c), 62 (1)(h)(iii), and other applicable regulations, if any, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and Framework for listing of Commercial Paper, as amended.**

**Re: Ratings Action by Moody's Investors Service**

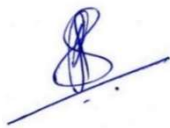
This is to inform you that **Moody's Investors Service** has affirmed Muthoot Finance Limited's Corporate Family Rating "Ba2 CFR". Moody's Investors Service has revised the outlook to "Stable" from "Negative".

Enclosing herewith the Press Release made by **Moody's Investors Service** in this regard.

We request you to take the same on record.

Thanking You,

**For Muthoot Finance Limited**



**Rajesh A**  
Company Secretary

**Rating Action: Moody's affirms Muthoot Finance Limited's Ba2 CFR; revises outlook to stable from negative**

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11 Dec 2020

Singapore, December 11, 2020 -- Moody's Investors Service has today affirmed Muthoot Finance Limited's Ba2 CFR and changed its outlook to stable from negative.

**RATINGS RATIONALE**

The affirmation and change in outlook to stable reflect Muthoot's steady credit profile despite the economic contraction caused by the coronavirus pandemic. In addition, today's rating action reflects Moody's expectation that Muthoot's financial performance will remain stable over the next 12-18 months, supported by its leading franchise and track record of providing loans against gold jewelry, superior profitability and strong capitalization.

Over the past 6 months, a surge in gold price -- which backs about 90% of the company's loans -- helped improve loan collections and disbursements, with both exceeding their five-year averages in the quarter ended September 2020. Similarly, higher gold prices helped lower Muthoot's gross nonperforming loan (NPL) ratio for the gold portfolio to 1.3% at the end of September 2020 from 3.4% a year earlier.

Nevertheless, the asset quality of Muthoot's non-gold loan segments, which includes home, vehicle and micro finance loans, is susceptible to the challenging operating environment.

While loans against gold jewelry are also susceptible to a sharp and sudden decline in gold prices, this risk is mitigated by the short-duration and collateralized nature of the company's loan book, the maximum loan-to-value restriction under the central bank's norms, and the ability of the company to quickly liquidate the collateral if the borrower is unable to service the loan.

Muthoot's profitability has somewhat moderated, with its return on assets down to 5.8% for first half of fiscal year ending March 2021 (fiscal 2021) from 6.6% a year ago as asset growth outpaced net profit growth. Nevertheless, Muthoot remains the most profitable amongst Moody's rated banks and non-bank finance companies in India. Its superior profitability supports internal capitalization, as reflected by its strong Tier 1 ratio of 24.6% at the end of September 2020.

Muthoot's funding also remains steady as the secured and highly liquid nature of its loans enables it to obtain funding from banks and debt investors. Over the past year, the company has diversified its funding sources to more stable, long-term funding sources -- a credit positive.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING**

Muthoot's rating could be upgraded if the company achieves a meaningful improvement in its funding and liquidity.

Muthoot's rating could be downgraded if there is a meaningful increase in NPLs couple with a material deterioration in its loss-absorbing buffers. A deterioration in the company's funding and liquidity, as demonstrated by its inability to rollover maturing liabilities, would also strain its rating.

The principal methodology used in this rating was Finance Companies Methodology published in November 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1187099](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187099). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

Headquartered in Kochi, Muthoot Finance Limited reported total assets of INR 620 billion at 30 September 2020.

**LIST OF AFFECTED RATINGS:**

Outlook Action:

..Issuer: Muthoot Finance Limited

...Outlook, changed to Stable from Negative

Affirmation:

..Issuer: Muthoot Finance Limited

... Corporate Family Rating, Affirmed at Ba2

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

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INVESTORS SERVICE

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