



**Muthoot Finance Limited**

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SEC/MFL/SE/2020/3427

April 13, 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), and other applicable regulations, if any, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.**

This is to inform you that Moody's Investor Service has affirmed Muthoot Finance Limited's 'Ba2' Corporate Family Rating and its outlook changed to negative from stable.

Enclosing herewith the Press Release made by Moody's Investor 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 takes rating actions on three Indian NBFCs**

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13 Apr 2020

Singapore, April 13, 2020 -- Moody's Investors Service has taken rating actions on three Indian non-banking financial companies (NBFCs):

- Hero FinCorp Limited's local and foreign currency Baa3 issuer rating is placed under review for downgrade
- India Infoline Finance Limited's Ba3 Corporate Family Rating (CFR), (P)Ba3 foreign and local currency senior secured MTN program ratings, and Ba3 senior unsecured debt rating are placed under review for downgrade
- Muthoot Finance Limited's Ba2 CFR is affirmed and its outlook changed to negative from stable

A full list of affected ratings is provided at the end of this press release.

**RATINGS RATIONALE**

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, volatile oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets.

The Indian NBFC industry has been affected given disruptions to India's economic activity from the coronavirus outbreak, which will weaken these companies' credit profiles. Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

Today's action reflects the impact on Hero FinCorp, India Infoline Finance and Muthoot of the breadth and severity of the shock, and the deterioration in credit quality it has triggered.

"We expect the asset quality of these three companies to deteriorate on the back of rising loan delinquencies and defaults, as some customers and businesses will struggle with payments given declining earnings due to the 21-day nationwide lockdown across India," says Alka Anbarasu, a Moody's Vice President and Senior Credit Officer.

Although Reserve Bank of India's (RBI) 3-month loan repayment moratorium will help borrowers without affecting NBFCs' asset quality classifications, it will also slow the pace at which loan balances are reduced, or even foreclosed on, which in turn will result in some loans performing more poorly than they otherwise would have.

However, the negative effects of the RBI's measures are likely to be significantly offset by the positive macroeconomic effects resulting from the stimulus due to the loan repayment moratorium, which is designed to boost consumer confidence and spending. The loan repayment moratorium may also support the value of the underlying loans, which would otherwise fall if all banks and NBFCs pursue strict repayment terms during times of economic stress, such as now. That said, the deeper and broader the economic slowdown in India's growth, the more these companies will face asset quality issues.

"Despite these risks, we expect Muthoot's asset quality to perform better than the other two companies given its focus on lending against gold jewelry, which is supported by highly liquid collateral, the value of which has appreciated in the past year," adds Anbarasu.

During the loan moratorium period, the liquidity of the three companies will worsen as loan collections decline. Furthermore, their modest balance sheet liquidity offers limited support if loan collections remain at materially lower levels once the moratorium is lifted.

While these companies have been able to attract new loans and roll forward maturing obligations from Indian banks, increasing risk aversion amongst Indian banks, especially after RBI imposed a moratorium on Yes Bank Limited (Caa1 positive, ca), as well as global financial sector volatility, will result in a more challenging funding environment.

Furthermore, in the case of India Infoline Finance, the moratorium on debt repayments can affect its ability to conduct loan assignments and securitization, which have been a source of immediate liquidity since the middle of 2018. Loan assignment refers to the outright sale of loans to banks. The other two companies have not conducted any loan assignments or securitizations.

The profitability of the three companies will also come under pressure because of lower revenues, higher credit charges and higher cost-to-income ratios as business activity declines.

That said, capital remains a key credit strength for the three companies. Moody's expects the companies' capital reserves to largely remain stable, or decline modestly, as the companies look to conserve liquidity and avoid expanding balance sheets, until funding conditions normalize.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

##### Hero FinCorp:

Given the review for downgrade, an upgrade is unlikely for Hero Fincorp in the near term. However, the outlook could return to stable if the company's asset quality and profitability remain stable over the next few quarters. A substantial capital raise that improves the company's loss absorbing buffer can also help stabilize the rating.

Moody's could downgrade the company's ratings if (1) there is a material deterioration in its asset quality, which leads to more pressure on its profitability, and/or (2) its funding and liquidity profile deteriorates.

Hero FinCorp's Baa3 issuer ratings is three notches higher than its standalone assessment of ba3, reflecting Moody's assumption of a very high likelihood of support from its key shareholder, Hero MotoCorp Limited (HMCL), in times of need. Any change to Moody's expectation of support from HMCL will also lead to pressure on Hero FinCorp's rating.

##### Muthoot:

Given the negative outlook, an upgrade is unlikely for Muthoot Finance in the near term. However, the outlook could return to stable if the company's solvency and liquidity remain stable over the next few quarters. Muthoot's ratings could be downgraded if the company's funding and liquidity profile materially deteriorates during the next 12-18 months.

##### India Infoline Finance:

Given the review for downgrade, an upgrade is unlikely for India Infoline Finance in the near term. However, the outlook could return to stable if the company's solvency and liquidity remain stable over the next few quarters.

Moody's could downgrade India Infoline Finance's ratings if (1) there is a material deterioration in its asset quality, which leads to more pressure on its profitability, and/or (2) its funding and liquidity profile deteriorates.

The principal methodology used in these ratings 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 New Delhi, Hero FinCorp Limited reported total assets of INR 229 billion at 30 September 2019.

Headquartered in Mumbai, India Infoline Finance Limited reported total assets of INR 312 billion at 31 December 2019.

Headquartered in Kochi, Muthoot Finance Limited reported total assets of INR 498 billion at 31 December 2019.

#### LIST OF AFFECTED RATINGS:

On Review for Downgrade:

..Issuer: Hero FinCorp Limited

....Issuer Rating (Foreign Currency and Local Currency), Placed on Review for Downgrade, currently Baa3

..Issuer: India Infoline Finance Limited

...Corporate Family Rating, Placed on Review for Downgrade, currently Ba3

....Senior Secured Medium-Term Note Program (Foreign Currency and Local Currency), Placed on Review for Downgrade, currently (P)Ba3

....Senior Secured Regular Bond/Debenture (Foreign Currency), Placed on Review for Downgrade, currently Ba3

Affirmations:

..Issuer: Muthoot Finance Limited

... Corporate Family Rating, Affirmed at Ba2

Outlook Actions:

..Issuer: Hero FinCorp Limited

...Outlook, changed to Rating Under Review from Negative

..Issuer: India Infoline Finance Limited

...Outlook, changed to Rating Under Review from Stable

..Issuer: Muthoot Finance Limited

...Outlook, changed to Negative from Stable

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

At least one ESG consideration was material to the credit rating outcome announced and described above.

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