'CareEdge B/Stable' rating assigned to dollar bonds of Mufin Green Finance Limited

USD 10 million Foreign Currency Bonds	**CareEdge B/Stable**

CareEdge Global Ratings has assigned a long-term foreign currency rating of **'CareEdge B/Stable'** to Mufin Green Finance Limited's (MGFL) USD 10 million foreign currency bonds.

Rationale

The rating derives strength from MGFL's comfortable capitalisation, with a capital adequacy ratio (CAR) of 32.1% as of March 31, 2026, which is well above the regulatory minimum of 15%. The company has consistently maintained a CAR above 30% and has demonstrated its ability to raise equity capital, mobilising over Rs 4 billion over the past four years. Managed gearing remained moderate at 2.4x as of March 31, 2026, providing adequate headroom to support near-term growth. The rating also factors in the improvement in MGFL's funding profile, supported by a diversified borrowing base comprising over 40 lenders across various funding instruments. Additionally, the company's technology-driven, branchless operating model supports efficient loan origination and is expected to improve operating leverage as the loan portfolio continues to scale.

However, these strengths are partly offset by MGFL's modest scale, limited portfolio vintage, evolving product mix, and moderate profitability. The company has transitioned from being primarily an electric vehicle (EV) financing player to a more diversified lender, with key focus segments including mediclaim (health insurance premium) financing, business loans, and loans to government employees. A significant portion of the current portfolio was originated over the past two years, resulting in limited seasoning of the loan book. Consequently, the asset quality performance of the newer product segments is yet to be tested. Profitability also remains moderate, although the company's technology-led model and increasing scale are expected to support improvement in operating leverage. However, sustained improvement in profitability is yet to be demonstrated.

Outlook

The stable outlook factors in CareEdge Global's expectation of continued scale-up in operations, alongside sustenance of the asset quality and earnings metrics in the newer product categories over the medium term, while maintaining adequate capital buffers to support growth.

Rating sensitivities

Upward factors

- Significant increase in AUM while maintaining asset quality
- Sustained improvement in profitability

Downward factors

- Increase in managed gearing level above 4x on a sustained basis
- Deterioration in asset quality in the mediclaim financing portfolio, with net non-performing assets (NNPA) exceeding 0.5% on a sustained basis
- Deterioration in the resource raising ability, impacting the overall capital structure

Analytical approach

CareEdge Global has assessed MGFL's business and financial profiles on a standalone basis in line with its Financial Institutions Methodology.

Key rating drivers

Strengths

Comfortable capitalisation profile and leverage

MGFL has maintained a comfortable capitalisation profile, supported by periodic equity infusions and internal accruals. The company's CAR was 32.1% as of March 31, 2026, well above the regulatory requirement of 15%, providing sufficient capital headroom to support business expansion. Although the CAR moderated from 54.0% as of March 31, 2023, to 32.1% as of March 31, 2026, due to rapid growth in the loan portfolio, it has consistently remained significantly above the minimum regulatory requirement.

The capital base has strengthened materially over the past four years through sustained equity infusions resulting in adjusted tangible net worth increasing from Rs 1.5 billion as of March 31, 2023, to Rs 5.7 billion as of March 31, 2026. Additionally, retained earnings have contributed to growth in the company's net worth.

Managed gearing was 2.4x as of March 31, 2026, compared with 2.6x as of March 31, 2025. The current capital structure provides adequate capacity to support the company's near-term growth plans. However, with the company targeting continued rapid portfolio growth, timely capital infusions are key to preserving comfortable capitalisation and keeping leverage within the targeted range. Management aims to keep the gearing below 4x on a steady state basis.

Improving funding profile

MGFL's funding profile has strengthened over the past few years, supported by diversification across both borrowing instruments and lender categories. As of March 31, 2026, the borrowing mix comprised term loans at around 35%, non-convertible debentures at around 39%, external commercial borrowings at around 18%, and other instruments at around 8%. The lender base has also become more diversified, with funding sourced from banks, non-banking financial institutions (NBFCs), development financial institutions (DFIs), and retail/high-net-worth individual (HNI) investors. The company has established relationships with more than 40 lenders and initiated securitisation through PTC transactions, which is expected to enhance funding flexibility as the loan book scales.

Average borrowing costs improved in FY26, with the quarterly cost of borrowings reducing to 12.2% in Q4FY26 from 13.8% in Q1FY26, aided by benchmark-rate movement, increasing bank participation and improved lender comfort. MGFL's ability to further increase lower-cost bank borrowings, complete larger securitisation transactions, and maintain competitive incremental funding costs will remain monitorables.

Technology-led, branch-less operating model supports scalability

MGFL operates through a technology-driven, branch-less operating model, with digital processes covering customer onboarding, underwriting, documentation, disbursement, and collections. This supports faster turnaround time, lower operating costs, and supports scalability without significant investments in physical infrastructure. As a result, the company is expected to benefit from improving operating leverage as the loan book scales.

The company's key growth products are also embedded within digital ecosystems. Its mediclaim financing product is integrated with insurers through digital platforms, enabling instant policy-linked loan processing, direct disbursement to insurers, and automated repayment setup. Similarly, loans to government employees are routed through the respective government HRMS platforms, with repayments linked to payroll or salary deduction mechanisms, thereby improving visibility over cash flows and reducing collection risk.

Weaknesses

Modest scale of operations and limited vintage of newer portfolio

MGFL has scaled rapidly, with AUM increasing to Rs 15.4 billion as of end-March 2026, from Rs 8.4 billion as of end-March 2025. However, the overall scale remains modest. The product mix has also changed substantially over a short period: the portfolio has moved from being largely EV financing led to a more diversified mix comprising mediclaim financing, business loans, solar financing, and loans to government employees. As a sizeable portion of this book has been originated recently, its asset quality performance is yet to be established.

The newer products benefit from structural mitigants. Mediclaim financing has unearned premium refund protection and auto-debit mechanisms, government employee loans benefit from salary-linked repayment structures, and business loans are largely collateral-backed. However, these portfolios have not yet been tested through adverse macroeconomic or product-specific stress. The company's ability to maintain asset quality while scaling these newer segments remains a key rating monitorable.

In terms of asset quality, the legacy EV portfolio continues to account for a significant share of delinquencies, although management has curtailed growth in the B2C EV segment and tightened underwriting norms. Reported asset-quality indicators have improved, with gross non-performing assets (GNPA) and net NNPA reducing to 1.9% and 1.7%, respectively, as of March 31, 2026, from 2.5% and 2.1%, respectively, as of March 31, 2025. However, the improvement has been partly supported by growth in other segments. Performance in the mediclaim financing portfolio has remained stable so far, supported by negligible 90+ days past due (dpd).

Moderate profitability

MGFL's profitability is moderate, with return on managed assets (RoMA) in the range of 1.9% to 2.4% over the past three years. Net interest margins (NIMs) moderated to 5.7% in FY26 from 8.3% in FY24, reflecting an evolving product mix and rapid AUM growth towards the later part of the year because average assets increased ahead of full-period income accretion. Operating expenses improved to 3.0% in FY26 from 4.3% in FY24, supported by the technology-led model and better operating leverage. While operating leverage is expected to improve further as the loan book scales up, sustained improvement in profitability is yet to be demonstrated. Owing to operating leverage benefits, we expect profitability to improve materially from current level, with RoMA inching above 3% from FY27. The same shall be monitorable from a rating standpoint.

Liquidity

MGFL's liquidity profile is adequate, supported by comfortable cash balance, liquid investments, and access to diversified funding sources. As of March 31, 2026, the company had unencumbered liquidity of approximately Rs 1.5 billion comprising cash and equivalents, covering 3 months of debt obligations. The company's cumulative ALM position was positive across all buckets as on March 31, 2026. Further, the short-term nature of its key loan segments supports its liquidity profile. MGFL also has access to securitisation transactions, which provide an additional source of liquidity and funding flexibility.

Environmental, social, and governance (ESG) considerations

MGFL integrates ESG considerations into its business strategy through its focus on financial inclusion, technology-enabled lending, and financing activities linked to sustainable and socially relevant sectors. The company's lending portfolio supports access to credit for underserved customer segments, including first-time borrowers, self-employed individuals, micro and small businesses, and government employees. Its mediclaim financing product promotes affordability and accessibility of health insurance, thereby supporting broader insurance penetration and financial protection among retail customers.

From an environmental perspective, the company has historically maintained exposure to EV financing and solar financing, supporting the adoption of cleaner mobility solutions and renewable energy assets. Although the relative contribution of EV financing has declined as the portfolio diversified, management maintains exposure to the segment while selectively expanding solar financing opportunities within its green-lending portfolio.

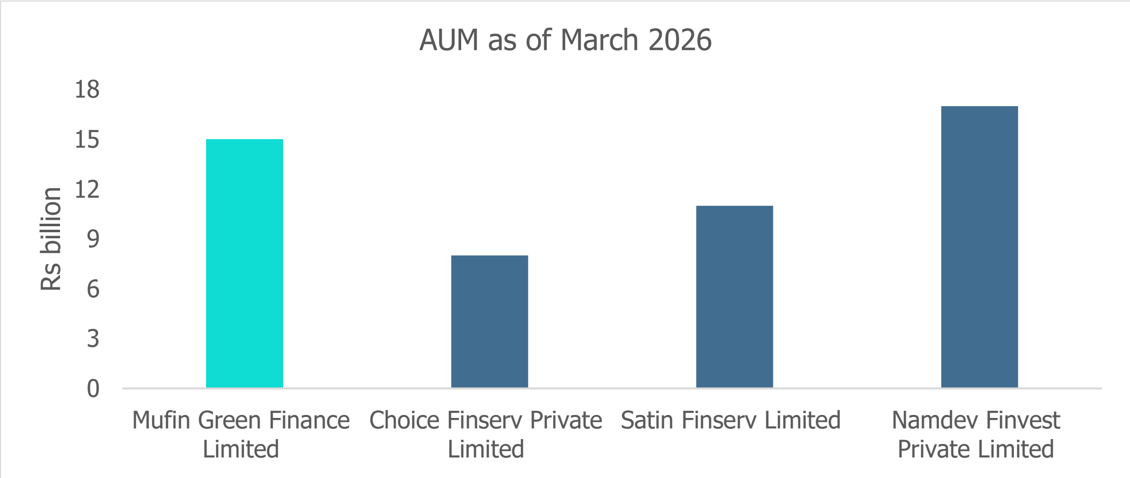
On the governance front, the company benefits from an experienced management team, board oversight, and established risk management practices. MGFL has invested in technology-driven underwriting, monitoring and collection systems that strengthen risk controls and operational efficiency. Governance is further supported by formal credit policies, compliance frameworks, and periodic monitoring of portfolio quality and liquidity. Overall, ESG risks are considered manageable and are not viewed as a significant concern from a credit perspective.

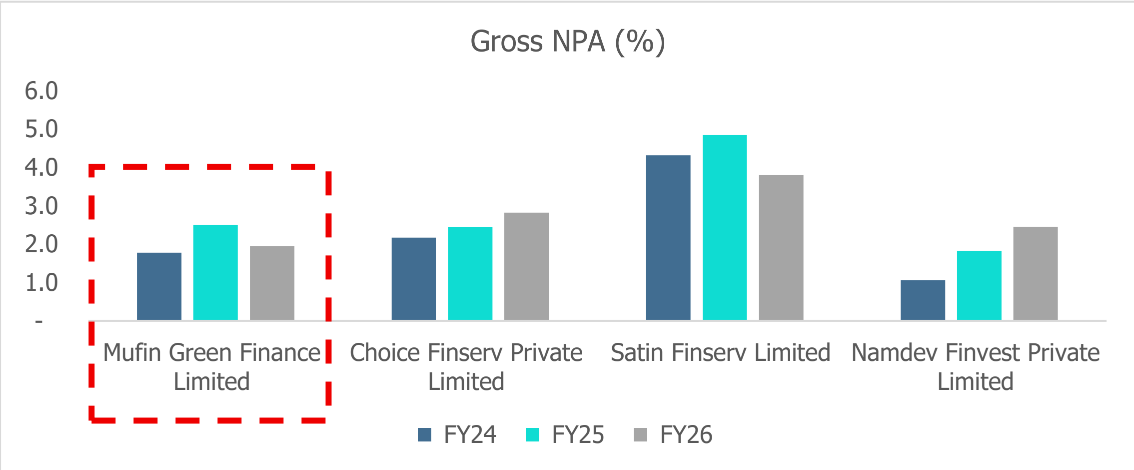
About MGFL

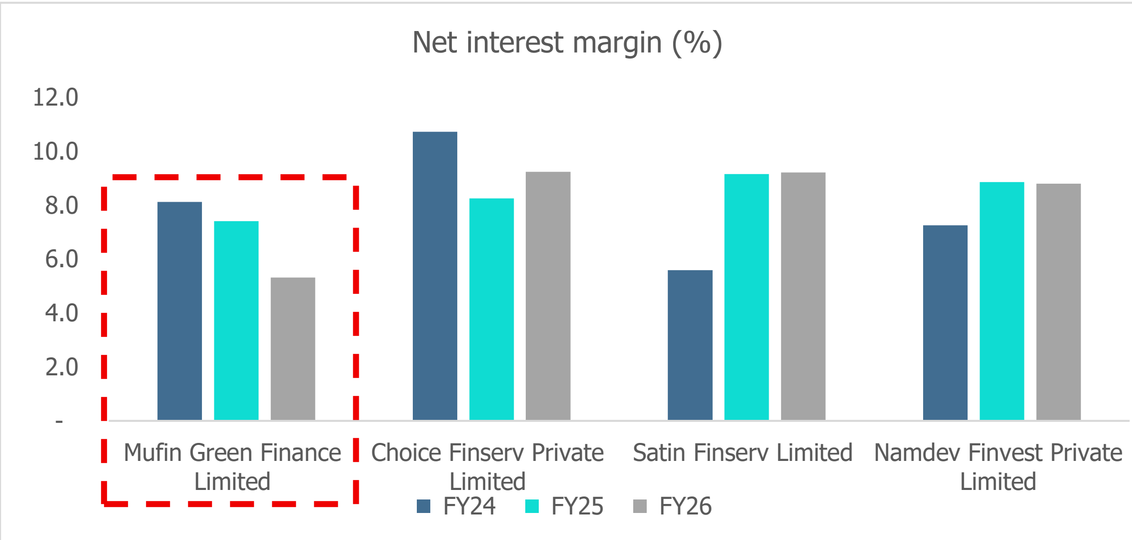
MGFL is a listed, RBI-registered NBFC. In 2022, Hindon Mercantile Limited (HML), an NBFC promoted by Mr. Kapil Garg, acquired APM Finvest Limited and subsequently renamed it MGFL. Following the acquisition, HML transferred its EV loan portfolio to MGFL, establishing it as the group's dedicated lending platform for green financing. Since then, the company has evolved from being primarily an EV financier to a diversified, technology-driven NBFC with presence across mediclaim financing, loans to government employees, collateral-backed business loans, and solar financing. HML currently holds 44.5% stake in MGFL.

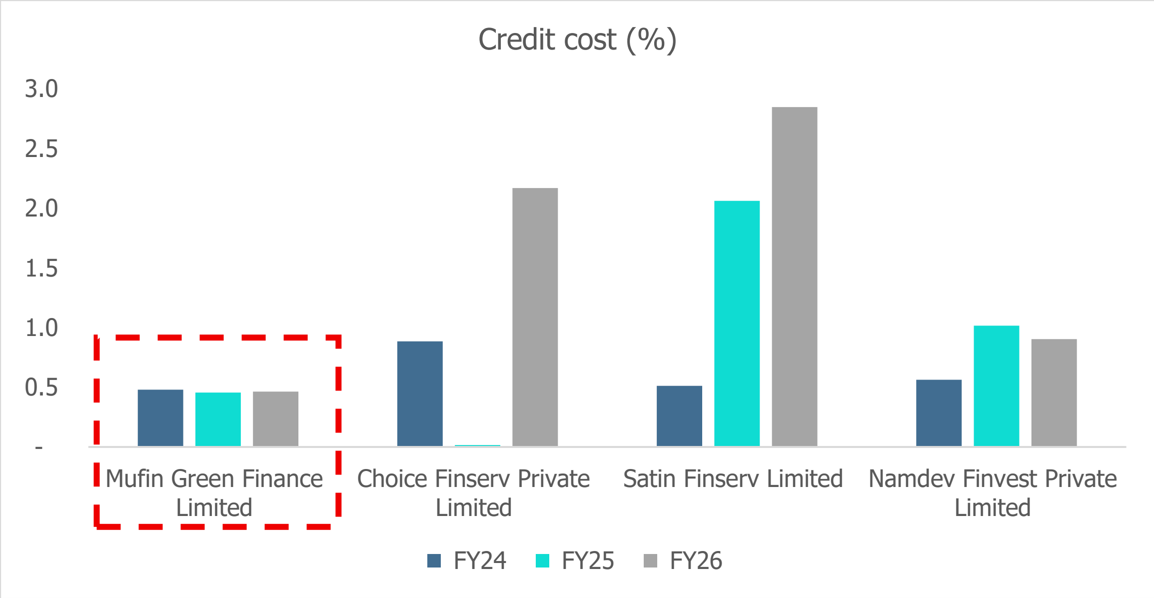
As of March 31, 2026, MGFL reported AUM of Rs 15.4 billion compared with Rs 8.4 billion a year earlier. The portfolio comprised mediclaim financing (~39%), wholesale/business loans (~28%), EV loans (~26%), solar financing, loans to government employees and other (7%).

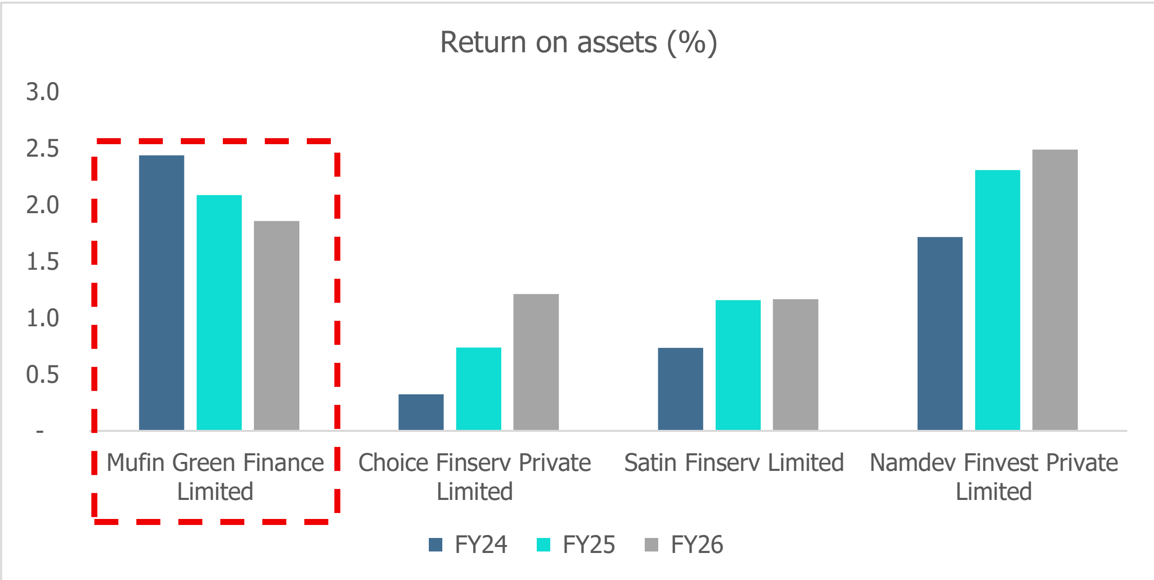
Comparison with other NBFCs











Recent updates and financial summary

The company posted a net profit of Rs 140 million for the first quarter of the current fiscal year, compared to Rs 41 million in the same period of the previous fiscal year. As of June 30, 2026, its AUM stood at Rs 15,992 million.

It reported GNPA and NNPA of 1.9% and 1.6%, respectively, as of June 30, 2026 (FY26: 1.9% and 1.7%, respectively). MGFL maintained a healthy CAR of 30.6% as of June 30, 2026, against the regulatory requirement of 15%.

Key financial metrics*

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
AUM	Rs million	6,241	8,384	15,412
Net interest margin	%	8.0	7.3	5.7

Cost to income	%	53.3	55.9	50.2
GNPA[1]	%	1.8	2.5	1.9
RoMA	%	2.4	2.1	1.9
CAR[1]	%	36.5	30.9	32.1

*computed as per CareEdge Global methodology

Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Details of the instrument

Instrument	ISIN	Date of issuance	Coupon rate (%)	Maturity date	Issue size	Rating
Foreign Currency Bonds	-	-	-	-	USD 10 million	CareEdge B/ Stable

Rating history

Instrument	Type	Rating	Date
Foreign Currency Bonds	Long-Term Foreign Currency	CareEdge B/Stable	September 15, 2026

Criteria applied

[CareEdge Global's Financial Institutions Rating Methodology]

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[1] As per reported financials

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