
'CareEdge B/Stable' rating assigned to Midland Microfin Limited

EUR 20 million External Commercial Borrowing

CareEdge B/Stable

CareEdge Global has assigned a Long-Term Foreign Currency rating of '**CareEdge B/Stable**' to the external commercial borrowing (ECB) of Midland Microfin Limited (Midland/company).

Rationale

Midland's rating is driven by its comfortable capital position, supported by regular capital infusion, more than a decade of operational experience in the microfinance institution (MFI) space, and a highly seasoned leadership team. The company's assets under management (AUM) amounted to Rs 26 billion as on December 31, 2025, up from Rs 8 billion as on March 31, 2021, at a compound annual growth rate (CAGR) of 28% in the four years through fiscal 2025.

Midland's strong management is supported by well-established institutional investors such as Kitara Capital (Oman-based global investment firm) and ICICI Bank (the second-largest private bank in India). Kitara has been associated with the company since 2016 and extends regular capital support. Midland is one of the few companies in the MFI segment backed by a private bank.

However, these strengths are offset by a modest scale of business, largely in an unsecured asset class, and the borrower segment being exposed to macroeconomic shocks. Midland's portfolio is primarily composed of joint liability group (JLG) loans and remains highly concentrated in Bihar and Uttar Pradesh (UP), which together comprise ~50% of the portfolio as on December 31, 2025.

Given the unsecured nature of loans, the company's asset quality is modest, with Rs 2.2 billion and Rs 1.2 billion of additions to the gross non-performing assets (GNPA) in FY25 and 9MFY26, respectively. This is a result of the broader stress in the microfinance sector in India. Despite higher delinquencies, GNPA was 1.5% as on March 31, 2025, as the company sold stressed assets to asset reconstruction companies (ARCs) in FY25. Midland held outstanding security receipts (SRs) of Rs 1.5 billion as on December 31, 2025.

Outlook

The stable outlook reflects CareEdge Global's view that Midland will continue to expand while maintaining its asset quality metrics over the medium term. Its growth is contingent upon timely equity infusions to sustain a comfortable capitalisation level.

Rating sensitivities

Upward factors

- Significant growth in the AUM while maintaining asset quality
- Higher geographical and product diversification, resulting in mitigation of the risks associated with unsecured lending

Downward factors

- Weakening of the capital structure with increase in leverage or capital adequacy ratio (CAR) slipping below 20% on a sustained basis
- Increase in credit costs or operating expenses adversely impacting return on assets (RoA) on a sustained basis

Analytical approach

CareEdge Global has assessed Midland's business and financial risk profile on a standalone basis. The company does not have any subsidiary / JV / associate.

Key rating drivers

Strengths

Comfortable capitalisation provides headroom for growth and loss absorption capacity; leverage levels are moderate

Midland's average capitalisation of 29% since FY22 is well above the Reserve Bank of India's (RBI's) requirement of 15% for non-banking financial companies (NBFCs). CAR was 30.1% as on December 31, 2025, compared with 31.4% as on March 31, 2025. The company aims to maintain a CAR exceeding 20%, underpinned by regular equity infusions. Most recently, capitalisation was bolstered by an infusion of Rs 230 million through the issuance of compulsory convertible preference shares (CCPS) this fiscal.

The company's gearing was 4.3x as on December 31, 2025 (including the securitisation portfolio) and has remained between 4.5x and 5.5x in the past five years. Going forward, the management intends to maintain leverage at these levels, with an internal threshold of 4.5x for further infusion. Midland has raised more than Rs 3.1 billion since FY21 and strengthened its institutional backing by onboarding Kitara and ICICI Bank in FY16 and FY21, respectively.

Experienced management and board, with strong investor support

The company's board comprises senior professionals with decades of experience in banking, finance and other key domains. The promoter, Mr. Amardeep Samra (MD & CEO), has a proven track record in the lending business. The board's chairperson, Mr. Parveen Gupta, was the MD of retail and digital banking in SBI (India's largest bank) and has nearly four decades of experience.

The board is further bolstered by two independent directors and a nominee director from Kitara, strengthening the governance standards. Kitara is an Oman-based investment company with several large investments across segments in India. They have consistently invested in Midland since FY16 and have increased its stake to around 35% on a fully diluted basis. ICICI Bank has also participated in successive rounds of capital infusion since FY21 and holds ~9% stake as on December 31, 2025. Midland's ability to raise equity from the existing shareholders, without planned exit from equity investors, provides flexibility to its management.

Diversified resource profile

The company's well-diversified resource base receives support from over 48 lenders. It also has borrowings from ~5,000 non-convertible debenture (NCD) holders, reflecting investor confidence. As of end-2025, the borrowing mix is dominated by banks (~25%), followed by NBFCs (~24%). Instrument-wise, term loans constitute nearly 40% of the total borrowings, followed by NCDs (~30%), securitisation pool such as pass-through certificates (PTCs), direct assignments (DA) and business correspondent partnerships (~20%), and ECBs (8%).

In the three months ended December 31, 2025, it mobilised Rs 4.8 billion of incremental funding, demonstrating continued funding access despite tightening in the sector. Furthermore, Midland recently onboarded few large public sector banks, securing big-ticket (>Rs 1 bn) and low-cost loans (11-11.5%). This combined with an increasing share of NCDs (40% as on December 31, 2025, compared with 13% as on March 31, 2024) in the borrowing mix is expected to gradually reduce the borrowing cost. The company's ability to continue mobilising resources at competitive rates, maintain lender diversification, and deepen relationships with quality institutional lenders is a key monitorable from a credit perspective.

Weaknesses

Modest asset quality metrics

Asset quality deteriorated in FY25 and continues to face pressure this fiscal as well. Fresh NPA additions totalled Rs 2.2 billion in FY25 and Rs 1.2 billion in 9MFY26, resulting in GNPA of 3.0% as of end-2025 vs 1.5% as on March 31, 2025. The company also sold stressed assets worth Rs 2.2 billion to an ARC, resulting in SRs of Rs 1.5 billion as on December 31, 2025. GNPA was lower at 1.5% as on March 31, 2025, because of stress asset sale. The gross stressed book (including GNPA and SRs) jumped to 9.3% of AUM as of March 2025 from 6.1% as on March 31, 2024, due to increase in slippages. However, it reduced to 8.5% by December 2025, due to partial recoveries and write-offs in the fiscal. Consequently, the gross stressed book reduced to 32.5% of tangible net worth as of December 2025 from 36.9% as of March 2025.

Asset quality in the key geographies remains critical, as both Bihar and UP have reported higher delinquencies, with 90+ dpd increasing from 3.0% and 3.7% in March 2025 to 3.6% and 3.9% in December 2025, respectively.

Early-bucket stress also persists, with delinquencies for 0-30 dpd at 3.1% as of December 2025. However, the risks are partly mitigated by measures such as adherence to Self-Regulated Organisation (SRO) guardrails and Credit Guarantee Fund for Micro Units¹ (CGFMU) coverage. That said, the potential impact of the recently passed microfinance bill, 'The Bihar Micro Finance Institutions (regulations of money lending and prevention of coercive actions) Bill, 2026' in Bihar's assembly on asset quality, collections, portfolio growth, etc will remain a key monitorable.

Modest operational scale and geographical concentration

The company has a modest scale compared with mid-tier MFI peers, as reflected in its AUM of Rs 26 billion, and limited market share in the states where it operates. While its current size restricts the cost benefit, the business is expected to grow at a healthy rate, supported by expansion plans and improvement in branch productivity. However, the market share is not likely to change materially in the near to medium term. The management has expressed a readiness to pursue inorganic expansion of up to Rs 10 billion. Although no active opportunities currently exist, the transaction will be monitored by CareEdge Global if and when it takes place.

Midland's portfolio exhibits high geographical concentration, with Bihar and UP accounting for 51% of AUM as on December 31, 2025, followed by Rajasthan, Punjab, and West Bengal. The top five states command 75% of the portfolio, albeit down from 81% in fiscal 2022, indicating diversification measures. Despite operating across 16 states and two union territories (UTs) through 612 branches, regional diversification is modest.

Exposed to weak borrower profile and vagaries of microfinance industry

Midland's portfolio is completely unsecured as of end-2025, with loans primarily disbursed under the JLG model. Borrowers are predominantly low-income women whose incomes are unstable due to environmental, market-related or health emergencies. To counter higher loss volatility and overleveraging, strong field discipline, frequent customer interactions, and continuous monitoring of borrower indebtedness are a necessity.

Historically, the poor credit behaviour in the microfinance segment is underpinned by socio-political events (such as the 'announcement' of farm loan waivers), which was witnessed in Punjab in fiscals 2022 and 2023, and its sensitivity to the borrower class. The concentration in Bihar is a monitorable due to the recent bill passed in its assembly, which restricts the use of coercive methods of collection. Furthermore, lower literacy rates in the region can lead to misrepresentation of loan terms. However, the company has stopped fresh disbursements in Bihar, because of which the state's AUM may reduce.

¹CGFMU is a Government of India-backed scheme, designed to support micro and small enterprises by providing a credit guarantee for loans, which limits the credit risk. Under the scheme, the company pays an upfront fee/ premium that entails additional expense but provides relief against potential credit losses.

The materialisation of such instances in multiple states/geography coupled with the sector's cyclical nature can deteriorate the asset quality and impair the credit profile of MFIs. Additionally, environmental factors such as floods, drought/heat wave can affect the income levels and ability of the borrowers, which would impact the asset quality. We expect the asset quality to improve gradually, particularly due to implementation of guardrails by the SRO and risk mitigation techniques such as CGFMU scheme.

Liquidity

The company's liquidity position is adequate, supported by its policy of holding 15-20% of AUM as liquidity on a steady-state basis. As on December 31, 2025, Midland's unencumbered cash and liquid balances totalled Rs 3.9 billion, providing coverage of 91% of the next 3 months' debt obligations. The cushion is reinforced by the company's demonstrated ability to raise funds from a diversified lender base. It manages its maturities and collections prudently, and there is no asset-liability mismatch in the near-term buckets as on December 31, 2025. However, a minor mismatch has been reported in the post-one-year bucket, though not at the cumulative level.

Environmental, social and governance (ESG) considerations

Midland has initiated environmentally responsible practices through the financing of clean and renewable energy solutions, including solar products, and by promoting reduced carbon footprint across its operations through the 'Midland Carbon Programme'. The company's commitment to environmentally conscious lending reduces long-term environmental risks, while ensuring its business model is aligned with evolving sustainability standards and stricter climate-related disclosure regulations.

The company's social framework is in sync with its core microfinance operations, focusing on financial inclusion, livelihood enhancement, and community development. Emphasis on responsible lending practices, customer protection policies, employee welfare, and grievance redressal mechanisms supports stable borrower relationships and portfolio quality, while contributing positively to socio-economic development in the underserved and rural segments.

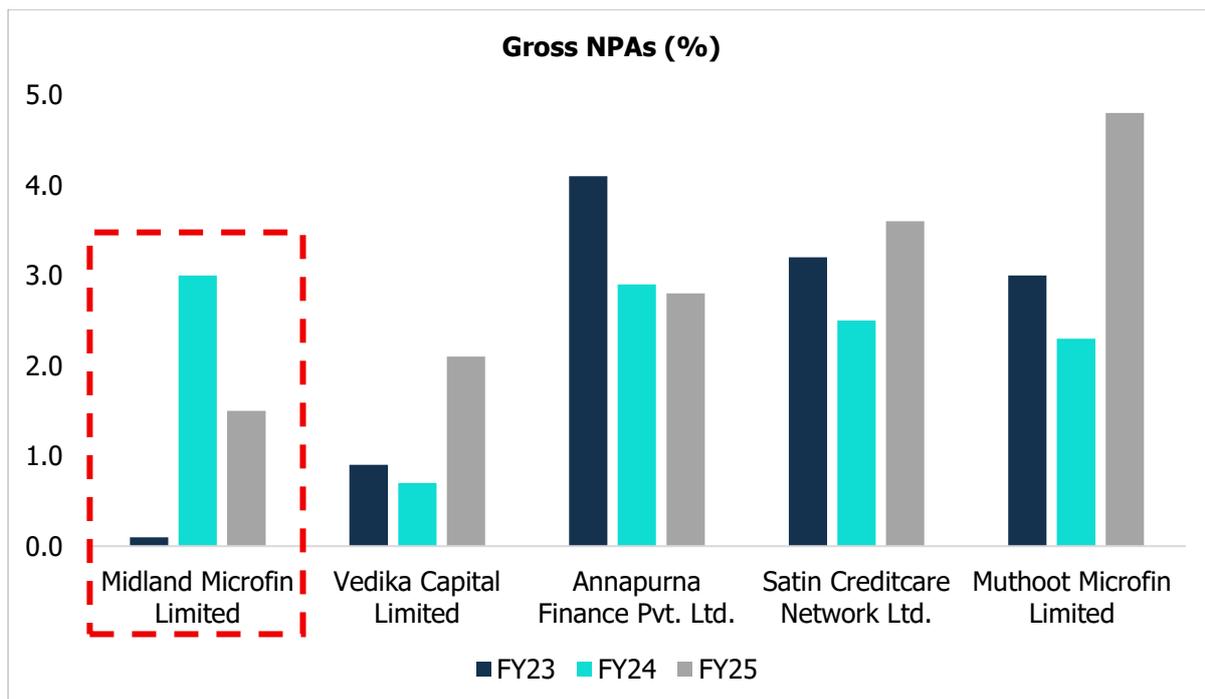
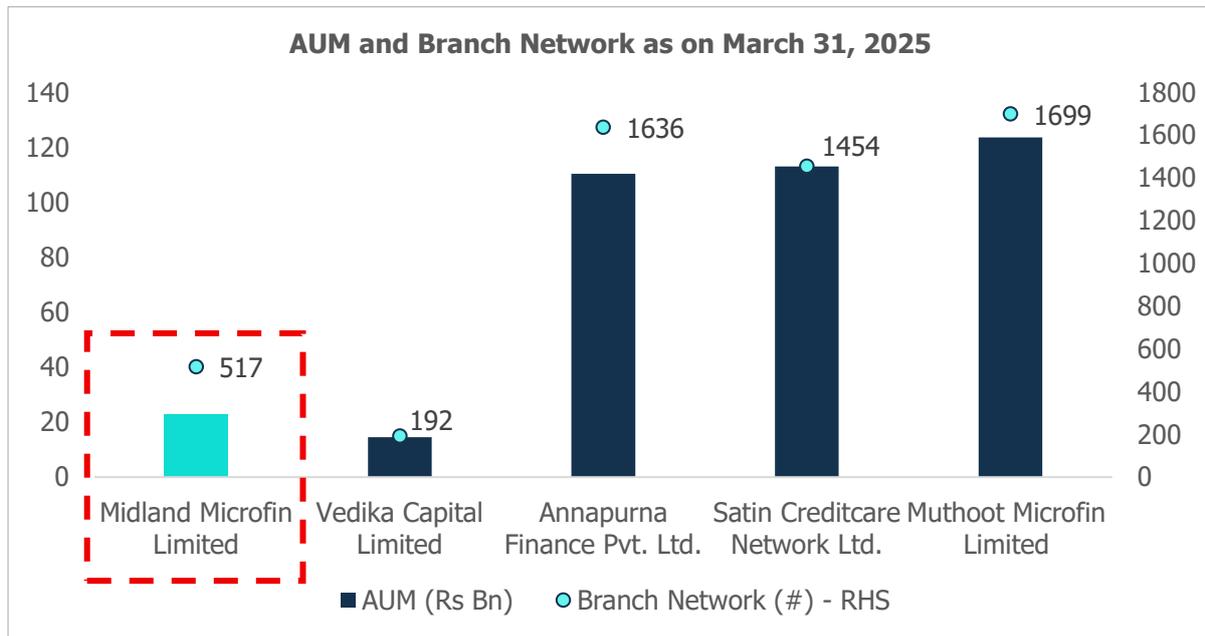
Midland has established governance practices, with three of the seven directors being independent (including the chairman) and one nominee director from Kitara Capital. The promoter group has three directors (including the MD & CEO). Furthermore, the company upholds strong ethical practices; the Whistleblower Policy and Workplace Harassment Prevention Policy promote transparency, accountability, and employee safety.

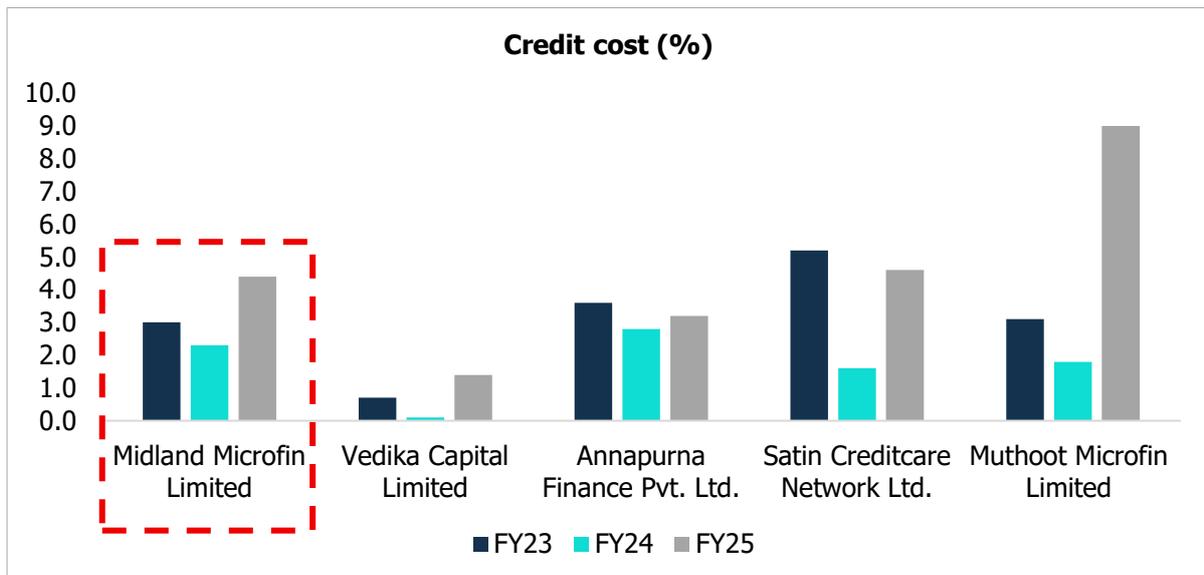
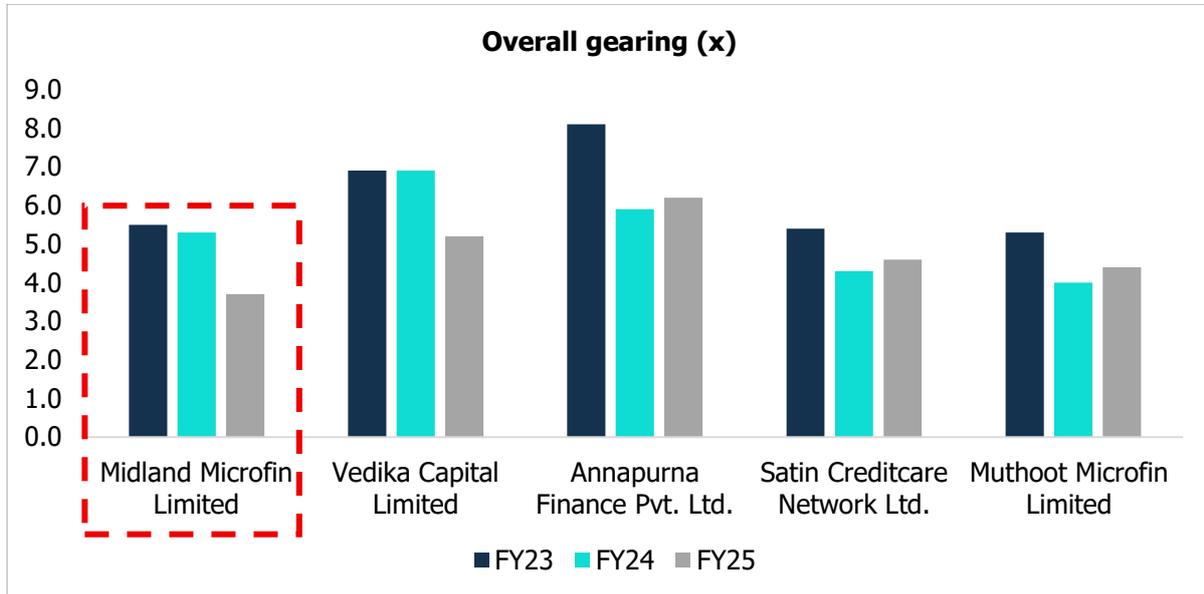
About the company

Midland was originally incorporated as Sajan Hire Purchase Private Limited in May 1988 and operated in the hire-purchase business until its rebranding and business transition in 2011. The company commenced microfinance operations in the same year and was subsequently registered with the RBI as an NBFC-MFI in January 2015.

Headquartered in Jalandhar, Punjab, Midland primarily provides collateral-free micro loans to women from low-income households under the JLG model. As on December 31, 2025, the company operated 612 branches across 16 states and two UTs, serving a client base of 0.9 million borrowers with average ticket size ranging from Rs 11,000 to Rs 1,00,000. Its lending portfolio is diversified across unsecured products for income-generating activities, including business and individual loans.

Peer comparison with other NBFC-MFIs





Recent updates and financial summary

The company posted a net profit of Rs 174 million in the nine months ended December 31, 2025 (9MFY26), lower than Rs 328 million for the same period of the previous fiscal. Its AUM increased to Rs 26 billion as on December 31, 2025, from Rs 23 billion on March 31, 2025. It reported GNPA and NNPA of 3.0% and 0.7%, respectively, as on December 31, 2025, compared with 1.5% and 0.4% as on March 31, 2025. Midland maintained a healthy capitalisation of 30.1% as on December 31, 2025, against the regulatory requirement of 15%.

Key financial metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs Bn	17.9	25.4	22.9
Net interest margin	%	10.7	10.8	12.5
Cost to income	%	49.4	49.9	54.3
Gross Stage 3 assets	%	0.1	3.0	1.5
RoA	%	2.7	3.2	1.0
CAR	%	28.4	28.3	31.4

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
External Commercial Borrowing	-	-	-	-	EUR 20 million	CareEdge B/Stable

Rating history

Instrument	Type	Rating	Date
External Commercial Borrowing	Long-Term Foreign Currency	CareEdge B/ Stable	March 17, 2026

Criteria applied

[CareEdge Global's Financial Institutions Rating Methodology](#)

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