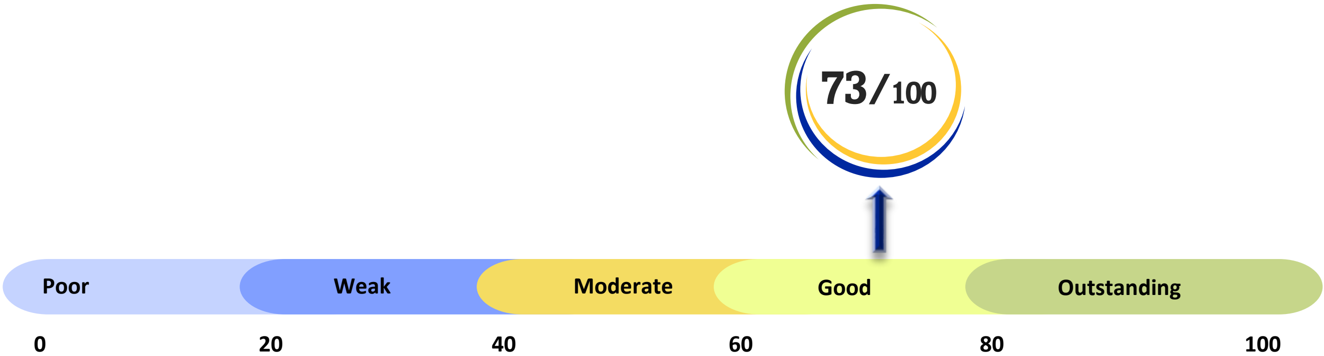
July 15, 2025

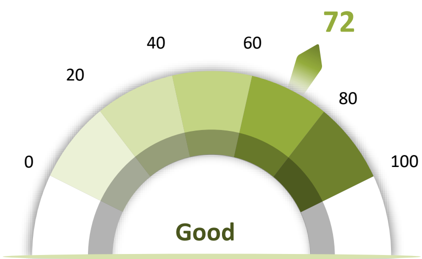
Muthoot Capital Services Limited: Rating assigned



Summary of rating action

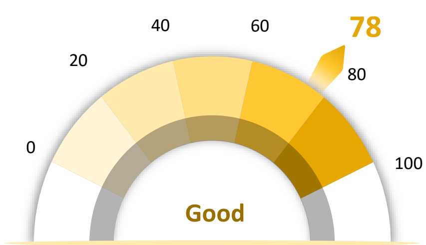
Muthoot Capital Services Limited	Previous Score	Current Score	Rating Symbol	Rating Movement
ESG Impact Rating	-	73	Good	-

Environment



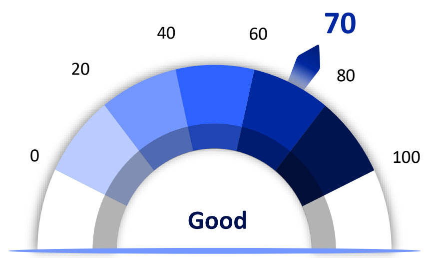
Weightage: 45%

Social



Weightage: 25%

Governance



Weightage: 30%

Rationale

The ESG Impact Score of **73 (Good)** assigned to **Muthoot Capital Services Limited (MCSL)** favourably factors in the company's minimal environmental footprint, well-structured employee benefits and policies, inclusive and independent board composition. However, the score is constrained by MCSL's nascent stage of sustainability reporting and environmental initiatives, elevated attrition levels, moderate Corporate Social Responsibility (CSR) spending and lack of formal sustainability targets. MCSL, a deposit-taking non-banking financial company (NBFC) focused on two-wheeler financing, operates primarily through its satellite offices and its group company offices resulting in a relatively low direct environmental footprint. Its strategic initiatives in electric vehicle (EV) financing, digital transformation, and community-focused CSR programmes underscore its evolving ESG maturity.

Environment

72 (Good)

The assigned environment score reflects that MCSL's operations are characterised by low energy and emissions intensity, with no direct fossil fuel usage and modest electricity consumption. MCSL currently does not utilise renewable energy in its operations. However, it consumed a moderate level of electricity (163,804.5 MJ) in FY2025, with no fuel usage, resulting in an energy intensity of 347.3 MJ/Rs. crore of revenue while supporting energy saving initiatives like LED lighting. Despite a dedicated ESG policy, which is aimed at reducing emissions and improving energy efficiency, the lack of ISO 50001 – Energy Management System impacts the sustainability profile of the company.

The company has a low-emission nature of operations, with negligible Scope 1 and 2 emissions and a recorded emission intensity of 347.3 MJ/ Rs. crore of revenue in FY2025. While the value chain impact could be substantial, the company is not currently tracking its Scope 3 emissions, including its portfolio impact. However, the company is prioritising EV funding to build-up its green portfolio. MCSL's ESG policy outlines intentions to improve resource efficiency but the absence of formal targets restricts measurable progress tracking. Air and dust emissions are negligible. Water consumption stands at a modest level with only 1,404 kl in FY2025 as usage is limited to human consumption and cleaning purposes, but the lack of any water recycling infrastructure in the premises limit the overall score.

Waste generation is also low (1.58 MT) mainly contributed by electronic and battery waste, which are fully recycled through authorised vendors; but the absence of non-hazardous waste tracking, including paper waste, and lack of measurable targets to reduce the overall waste generated impacts the waste management score. Biodiversity impact is minimal, and around 60% of in-house procurement is done in a sustainable manner with sustainability related aspects being part of major supplier contracts yet lacks formal performance monitoring audits of its suppliers.

Social

78 (Good)

MCSL demonstrates a strong commitment to employee welfare, human rights, and community engagement and provides employees comprehensive insurance coverage, maternity and paternity benefits, and supports their mental well-being through counselling and yoga sessions. Automated HR processes and adequate budget in training initiatives, with structured induction and learning programmes, facilitate employee welfare. Despite these efforts, MCSL faces a high attrition rate, which remains a concern.

While internal grievance mechanisms and Prevention of Sexual Harassment (POSH) safeguards are robust, external audits for occupational health and safety are absent. MCSL maintains a zero-tolerance policy towards sexual harassment, with a dedicated POSH Committee ensuring prompt and fair redressal. No such complaints have been reported over the past three years, reflecting the company's active grievance mechanisms. The company also demonstrates a favourable gender wage gap, attributed to a higher representation of women in senior management roles. While health and safety protocols and human rights policies are in place, oversight remains limited due to the operational spread across multiple partner locations and the evolving nature of its monitoring framework.

MCSL has established robust customer grievance mechanisms, resulting in a notable decline in complaints from 3,309 in FY2023 to 1,815 complaints in FY2024, supported by an expanded ombudsman team and improved resolution processes; however, due to persistent industry-wide prevalent customer issues and high delinquencies experienced by the entity in the past, the business relationships at MCSL could be strengthened further. The CSR initiatives, executed through the Muthoot Pappachan Group (MPG), focus on housing, healthcare, education, and disaster relief, with voluntary spending exceeding statutory requirements. MPG's CSR campaigns are centred around the word 'HEEL', which stands for Health, Education, Environment and Livelihood. In alignment to this, MCSL has spent a voluntary amount of Rs. 1.4 crore towards CSR expenditure despite no mandatory requirements around it. However, the nominal spending and absence of formal impact assessments limit effectiveness and transparency. MCSL has also demonstrated strong cybersecurity practices, with no reported breaches or data privacy incidents over the past two years, supported by ISO 27001 certification. The company's procurement from Micro, Small and Medium Enterprises (MSMEs) and small producers stands at 15%, and 25% of the total wages are disbursed in rural and semi-urban areas, reflecting a positive contribution to society.

Governance

70 (Good)

The governance score reflects the presence of a diverse and independent board structure with no major issues pertaining to related party transactions, auditor observations and investor assent. However, the rating also reflects the lack of formal sustainability reporting and early stage of development of sustainability related targets. MCSL maintains a governance framework with a seven-member board comprising five women directors and four independent directors, demonstrating good gender diversity and board independence, well exceeding statutory requirements. The presence of independent directors across all board committees enhances oversight and governance standards. Despite frequent changes in the compliance team, the non-compliances at the company level have declined due to the adoption of structured policies and filings well in advance to avoid delays. Board engagement remains high, with 91% attendance at the Annual General Meeting (AGM) in FY2025 and majority shareholder approvals for resolutions taken over the past 2-3 years.

MCSL has maintained strong financial governance, with no qualified audit opinions in the recent past. MCSL has constituted an ESG Committee and has mapped out 13 of the 17 United Nations Sustainable Development Goals (UN SDGs) to its CSR initiatives, in addition to groundwork being done on climate risk scenario analysis. However, it does not publish standalone sustainability reports, lacks external assurance on ESG data, and has not set measurable ESG targets or aligned with global frameworks like the United Nations Global Compact. Strengthening sustainability reporting and formalising ESG commitments would enhance governance credibility, going forward.

Strategic goals include deriving 15% of its portfolio from EV financing, with a long-term target of 25%, which demonstrates MCSL's strategic foresight in aligning its portfolio with emerging trends in green mobility. ICRA ESG has noted instances of delayed filings resulting in fines and penalties from previous years; however, improved mechanisms have been put in place and smooth operation remains crucial.

Overall, MCSL's ESG impact profile reflects a growing awareness and intent to integrate sustainability into its core operations. While the company has made commendable progress in several areas, structured performance tracking, external validation, and formal target setting remain key areas for improvement to elevate its ESG standing.

Key Rating Drivers

Strengths

- **Low resource-intensive nature of business –** MCSL's business model is inherently low in resource intensity, with operations limited to one corporate office-based model, with its employees working from satellite offices, offices of group companies and dealer showrooms. In FY2025, the company reported total energy consumption of 163,804.5 MJ, entirely from electricity consumption. A low Scope 1 + Scope 2 emissions intensity of 33 tCO_2e, further reflects limited environmental impact. This operational structure supports a low-emission profile, positioning MCSL favourably on environmental sustainability metrics. Low water intensity of 3.0 kl/Rs. crore and complete recycling of its limited 1.6 tonnes of electronic and battery waste in FY2025 underscores the minimal environmental footprint of MCSL's operations.

- **Structured employee benefits –** The company ensures comprehensive benefits, offering complete coverage of employee health and personal accident insurance, alongside maternity and paternity benefits. Its structured grievance redressal and whistleblower mechanisms reinforce a transparent and secure work environment. MCSL invests in employee development through mandatory training, induction programmes, and skill upgradation initiatives.

- **Board structure with good women diversity and independence** – MCSL's board comprises seven directors, with 71% composition of women directors and 57% independent directors, well exceeding the statutory norms. This composition ensures strong gender diversity and independent oversight. Board attendance was 91% in FY2025, and shareholder approval for resolutions exceeded the majority in all instances. Also, the recent appointment of a Chief Compliance Officer further strengthens the governance structure. These factors contribute to a robust and inclusive governance framework.

- **Lending portfolio to focus on green sectors** – Given the growing adoption of EVs in the two-wheeler segment, MCSL is making efforts to embed environmental sustainability into its core lending strategy by focusing on EV financing. The company has partnered with Greaves EV Fin and Bike Bazaar to finance electric two-wheelers and e-rickshaws. Additionally, its collaboration with impact investor GuarantCo aims to promote green and climate-resilient loans, further reinforcing its commitment and alignment to sustainable finance It aims to derive 15% of its loan portfolio from EVs in the near term, with a long-term target of 25%. While not yet under a formal green finance framework, MCSL's lending practices reflect a clear commitment to climate-aligned financial inclusion.

Weaknesses

- **Nascent stage of sustainability reporting with no formal targets –** MCSL's sustainability reporting remains at an early stage, with no formal targets or measurable commitments taken across key ESG parameters such as emissions, energy, water, waste, or biodiversity. While the company has an ESG policy outlining broad objectives for operational efficiency and environmental responsibility, the absence of defined goals limits its ability to track progress and demonstrate accountability. Additionally, the company does not publish sustainability reports, nor does it obtain third-party assurance on ESG data. This lack of structured reporting and performance tracking constrains transparency in the company's long-term sustainability strategy.

- **Limited scope for renewable energy adoption and resource management** – Despite its low-emission operational model, MCSL has limited mechanisms for renewable energy adoption. The company cannot directly use its wind assets and its lack of control over office spaces constrains any implementation. MCSL's offices lack water recycling infrastructure, such as sewage or effluent treatment plants, and there is minimal monitoring of non-hazardous waste.

- **Absence of structured health and safety assessments, along with high attrition** – Although MCSL has basic health and safety protocols in place, the framework for comprehensive assessment and monitoring across its widespread branch network remains underdeveloped. While some initiatives—such as fire safety checks—are in place, the absence of a mature health and safety management system limits the company's ability to ensure consistent employee well-being across its operations. Moreover, the staff welfare spending remains modest, and the company continues to face high attrition, particularly among field staff, which could indicate potential gaps in employee well-being and workplace satisfaction.

- **Modest CSR spending with no formal impact assessment** – MCSL's CSR initiatives, though voluntarily aligned with the MPG's 'HEEL' framework, have nominal financial outlays. Despite a dedicated committee overseeing CSR activities, the company does not disclose the effectiveness or outcomes of its spending and lacks structured mechanisms for impact assessment or third-party validation. This limits the transparency and credibility of its social contributions. In light of rising stakeholder expectations around community engagement and social value creation, scaling up the CSR spending will remain a key monitorable, going forward. ICRA ESG, however, notes that despite not being statutorily obligated, MCSL has voluntarily contributed Rs. 1.4 crore towards CSR initiatives in FY2024, and plans to increase its spending, going forward, thus reflecting a proactive approach to social responsibility.

Rating Sensitivities

Positive Factors:

MCSL's ESG rating could be upgraded if the company demonstrates measurable progress in integrating sustainability across its operations. This includes initiating Scope 3 emissions tracking, adoption of renewable energy sources, and the establishment of clear, time-bound measurable targets across sustainability parameters aligning with global sustainability frameworks. Implementation of water recycling infrastructure and biodiversity conservation initiatives would further strengthen its environmental profile. On the social front, enhancing employee welfare spending, reducing attrition through structured retention strategies, and conducting third-party audits for occupational health and safety would positively influence the rating. Additionally, from a governance perspective, publishing a standalone sustainability report with third-party assurance, and improving the timeliness of financial disclosures would benefit the ratings.

Negative Factors:

The ESG rating could be downgraded if MCSL fails to demonstrate progress in key sustainability areas. Continued reliance on non-renewable energy sources without a transition plan, and lack of structured emissions tracking could weaken its environmental score. Persistently high attrition rates, absence of external validation for health and safety practices and decline in the CSR expenditure may adversely impact the social profile. On the governance front, consistent delays in financial disclosures, any fines, penalties or non-compliance could reduce the overall ESG standing of the company.

Analytical Approach

Analytical Approach	Comments
Rating methodology	ESG Impact Rating Methodology
Rating scale	ESG Rating Scale
Last review date	NA
Data Availability	Average
Rating boundaries	For arriving at the rating, ICRA ESG has considered the standalone operations of Muthoot Capital Services Limited, and the sustainability aspects disclosed through its Annual Report, ESG Policy, and other sustainability related policies and disclosures, along with inputs received during discussions in management meetings.

About the company

Muthoot Capital Services Limited is a non-banking financial company headquartered in Kerala, India, and forms part of the Muthoot Pappachan Group, also known as *Muthoot Blue*. The company primarily focuses on vehicle financing, with a strong presence in semi-urban and rural markets across India. MCSL operates through an extensive network of over 3,500 branches of the group entity, enabling deep penetration into underserved regions and facilitating financial inclusion. MCSL's product portfolio includes two-wheeler loans, EV financing, and other consumer finance offerings. The company has entered into strategic partnerships to promote low-emission mobility and build-up its green portfolio. Furthermore, the company has adopted digital transformation across its operations, including mobile-based loan origination systems and automated internal processes, contributing to operational efficiency and reduced paper usage.

In FY2025, the company reported a total income of Rs. 476.5 crore and a profit after tax of Rs. 46.3 crore over the net worth of Rs. 658 crore and an AUM of Rs. 3,057.8 crore, as of March 31, 2025. The company reported a return on asset and return on equity at 1.9% and 7.3%, respectively. The gross stage 3 assets (non-performing loans) and the net stage 3 assets declined to 4.9% and 2.3%, as of March 31, 2025, from 10.2% and 3.4%, respectively, as of March 31, 2024.

Key ESG Indicators

Parameters	Unit	FY2025
Environment indicators		
Energy intensity	MJ/ Rs. crore	347.3
Renewable energy consumption	%	0%
Water consumption intensity	m^3/ Rs. crore	3.0
Waste generation intensity	tonnes/ Rs. crore	0.0
Social indicators		
Employee turnover	%	35%
POSH complaints reported	Number	Nil
Income inequality ratio	Ratio	25
CSR inhouse volunteers	Yes/No	Yes
Governance indicators		
Presence of reg-tech system	Yes/No	Yes
% of women in BOD	%	71%
% of women in KMP	%	33%
Average attendance in board meetings	%	91%
Emission reduction target aligned with 1.5 dc pathway	Yes/No	No

Source: Company, ICRA ESG's Analysis

Common Directors (if any): None

Source of Information

While assigning the ratings, ICRA ESG has considered the annual reports of the company along with company policies, additional information, and comments provided by the company.

Status of non-cooperation with previous ERP: Not applicable

Rating history for past three years

S. No.	Parameter	Current Rating: Date & Rating in FY2026	Previous Rating: Date & Rating in FY2025	Previous Rating: Date & Rating in FY2024	Previous Rating: Date & Rating in FY2023
		July 15, 2025	-	-	-
1	ESG Impact Rating	73, Good	-	-	-

Source: ICRA ESG Ratings

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About ICRA ESG Ratings Limited:

ICRA ESG Ratings Ltd (ICRA ESG), is a Category-I ESG Ratings Provider (ERP) licensed by the Securities and Exchange Board of India. ICRA ESG provides comprehensive ESG assessments, offering a holistic view of an entity's state and progress towards sustainability. Our approach covers not only the conventional metrics but also incorporates a nuanced evaluation of an entity's commitment to and transition towards sustainability. ICRA ESG is a wholly owned subsidiary of ICRA Limited (ICRA), one of India's leading Credit Rating Agencies, with a track record of over three decades. The ultimate parent company of international Credit Rating Agency Moody's Investors Service is the indirect largest shareholder of ICRA.

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