The Manager
Listing Department – BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Mumbai - 400 001

May 25, 2015

Sub: Half Yearly Communication for dissemination to Debenture Holders

For the information of Debenture Holders

Public Issue by Midland Microfin Limited ("the Company" or "the Issuer") of Secured Redeemable Non-Convertible Bonds in the nature of Debentures of Face Value of Rs 10,000/- each ("the Debentures" or "the Bonds").

The following information is furnished to you as required in terms of Debt Listing Agreement entered into by the Company with the BSE Limited:

1. Credit Rating

Name of the Rating Agency	Rating
Credit Analysis and Research Limited	CARE BBB- (Triple B Minus)

2. Asset Cover available: 27.50 Crores (1.10 time of the amount outstanding).
3. Debt-Equity Ratio as on March 31, 2015: 6.26
4. Previous due date of payment of interest/ principal and whether the same has been paid or not and next due date for payment of interest:

Option	Previous Interest paid date	Status	Next interest Payment Date
I	April 04, 2015	Paid	July 04, 2015
II*	NA	NA	July 04, 2018
III	April 04, 2015	Paid	July 04, 2015
IV*	NA	NA	October 04, 2020
V	April 04, 2015	Paid	July 04, 2015
VI*	NA	NA	January 04, 2024

*Cumulative interest payment at the end of maturity.

For Midland Microfin Limited

Preetpal Singh
Company Secretary & Compliance Officer
M.No. A30875
Jalandhar

Authorized Signatory

For CENTBANK Financial Services Limited

Centbank Financial Services
Mumbai

Authorized Signatory

Note: Please note that information stated above is available on the website of the Company and Debenture Trustee and BSE Limited. The investors may write to us at our e-mail ID: info@midlandmicrofin.com for any further information.

Midland Microfin Limited
CIN - U65921PB1988PLC008430
Regd. & Corporate Office : 'Gobind Niwas', 2nd Floor, 36 G. T. Road, Jalandhar -144001 INDIA
Tel.: 0181-508 5555, 508 6666 Fax : 508 7777 email : info@midlandmicrofin.com website : www.midlandmicrofin.com

ASHWANI GUPTA
F.C.A, LL.B. (GOLD MEDALIST) DISA

ASHWANI GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS
OPP. FRIENDS CINEMA, JALANDHAR-144001
PHONE: - OFF. 2224050, 4638250 (R) 2227972.

YOUR REF.
DATE......................

OUR REF.

To Whomsoever It May Concern

This is to Certify that the Asset coverage ratio of Debenture-Public Issue Midland Microfin Ltd, 'Gobind Niwas',2nd Floor,36, G.T. Road, Jalandhar as on March 31, 2015 is as follows:

Outstanding Balance of Public Issue Debentures	25,00,00,000.00
Asset Coverage	27,50,00,000.00
Asset coverage ratio	1.10 times

Place : Jalandhar
Dated: 28/5/15

Ashwani Gupta & Associates
(Chartered Accountants)

ASHWANI GUPTA & ASSOCIATES
Chartered Accountants
ASHWANI GUPTA
F.C.A., DISA, LL.B.
M.N. 80718
Opp. Friends Cinema
Jalandhar

28/5/15
(Ashwani Gupta)
FCA, L.LB, DISA

MIDLAND MICROFIN LTD.
Certified to be True Copy

ASHWANI GUPTA
F.C.A, LL.B. (GOLD MEDALIST) DISA

ASHWANI GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS
OPP. FRIENDS CINEMA, JALANDHAR-144001
PHONE: - OFF. 2224050, 4638250 (R) 2227972.

YOUR REF.
DATE....................
OUR REF.

To Whom It May Concern

Certified that the Debt equity ratio of Midland Microfin Ltd, 'Gobind Niwas',2nd Floor,36, G.T. Road, Jalandhar as on March 31, 2015 as per financial statements are as under:

Paid up share capital	8,60,55,000.00
Add: Reserve & surplus	1,03,84,479.85
Less: Share issue expenses	2,42,555.00
Net Owned Funds	9,61,96,924.85
Long term debt with interest accrued	60,17,23,681.00
Debt Equity Ratio	6.26

The above information is true and correct to the best of my knowledge and belief and as per books, documents produced for verification.

Note: Long Term Debt means Long Term Debt Less Installment due during the Financial Year 2015-16

Place : Jalandhar

Dated: 28.05.15

Ashwani Gupta & Associates

(Chartered Accountants)

ASHWANI GUPTA & ASSOCIATES Chartered Accountants ASHWANI GUPTA F.C.A., DISA, LL.B (Gold Medalist) M.N. 80719 Opp. Friends Cinema Jalandhar

28.5.15

(Ashwani Gupta)

FCA, L.LB, DISA

MIDLAND MICROFIN LTD. Certified to be True Copy

CREDIT ANALYSIS & RESEARCH LTD.
13th Floor, E-1 Block, Videocon Tower
Jhandewalan Extension, New Delhi-110055
Tel. : + 91 11 45333200
Fax : + 91 11 45333238
Website : www.careratings.com

CARE Ratings 20 YEARS
Celebrating Two Decades of Analytical Excellence

Mr. Amardeep Samra
Managing Director
Midland Microfin Ltd
2nd Floor, Gobind Niwas,
36, G.T. Road, Jalandhar – 144001

April 22, 2014

Dear Sir,

Credit rating of Non-Convertible Debentures (NCDs) of Rs.25 crore

Please refer to our letter(s) dated April 22, 2014 on the above subject.

2. The rationale for the rating(s) is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our monthly journal, 'CAREVIEW'.

3. A write-up (brief rationale) on the above rating(s) is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - II**.

4. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 23, 2014, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

Ankita

Ankita Sehgal
Manager

Rohit Agarwal
Deputy Manager

Encl: As above

MIDLAND MICROFIN LTD. Certified to be True Copy

CARE Ratings

Annexure I

Rating Rationale

Midland Microfin Limited (MML)

Rating

Instrument	Amount (Rs. crore)	Ratings[1]	Remarks
Non-convertible debentures (NCDs)	25	CARE BBB- (Triple B Minus)	Assigned
Total	**25**		

Rating rationale

The rating of Midland Microfin Limited (MML) derives strength from the experience of the promoter and management team, strong promoter group, good loan appraisal and portfolio management systems in place, comfortable capitalization levels and strong asset quality. However, the rating is constrained by the modest earning profile of MML, geographical concentration of operations and inherent socio-political, regulatory and operational risks.

The ability of MML to grow its portfolio and improve profitability, while maintaining good asset quality and comfortable capitalization would be the key rating sensitivities.

Background

Midland Microfin Ltd (MML) was originally incorporated as 'Sajan Hire Purchase Pvt. Ltd (SHPPL)' on May 28, 1988. SHPPL was engaged in hire purchase business. In June 2010, the Midland Group of Punjab acquired SHPPL with the aim of venturing into the Microfinance business and the name of the company was changed to *MML* in January 2011. The hire purchase business was also discontinued at the same time. MML is registered with RBI as a non-deposit taking NBFC.

MML follows a five-member group lending methodology under Joint Liability Group (JLG) model. MML is currently operating in 3 states (i.e. Punjab, Rajasthan and Haryana). The operations are managed through a network of 21 branches with total of 46,550 active borrowers and loan portfolio of Rs.53.21 crore as on March 31, 2014.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

CARE Ratings

Credit Risk Assessment

Experienced promoters and management team

The promoters of MML belong to the Midland group of Punjab engaged into asset finance business. The promoters also have experience in the banking through *'Capital Local Area Bank'*, based in Punjab. The bank has been operating in the three districts of Jalandhar, Kapurthala and Hoshiarpur in Punjab for 14 years. The bank recently started operations of Amritsar and Ludhiana districts, thus taking the total number of branches to 34 (16 rural, 13 semi urban, 3 urban and 2 metropolitan). The management of MML is headed by Mr. Amardeep Samra, Managing Director who has an experience of over 18 years of experience in the fields of finance, hire-purchase and leasing. He is assisted by Mr. Vijay Kumar Bhandari who has over 31 years of experience in the banking industry and Mr. Dinesh Gupta who has over two decades of experience as corporate advisor and investment consultant. MML has created separate departments with clearly demarcated roles and responsibilities for handling different functions. MML has formed different board committees for technically review and formulation of policies and procedure for the working of the MFI including Audit Committee, Risk Management Committee, Board Management Committee, and Head Office Executive Committee.

Good loan appraisal & portfolio management systems in place

MML has in place a proper appraisal system. The loan appraisal is done by credit department at the head office to check the member eligibility and the joint liability group's repayment capacity which ensures proper checks on all disbursements. The management information and accounting system is adequate and can manage large volumes of data in the medium term. The MIS system provides information for the loan portfolio management both at the operational level and managerial level. It also helps in maintaining security of data and faster access to reports for day-to-day monitoring. The company has well established structure to monitor the operations and increase transparency at different levels. The company has a separate internal audit team conducting audit of the centre meetings, branches and head office at regular intervals. Furthermore, MML also has a separate helpline and grievance redressal department at head office to address the borrowers' grievances.

Comfortable capital adequacy and strong asset quality

MML's capital adequacy was comfortable at 31.58% as on March 31, 2014 (the minimum requirement being 15%). However, the capital adequacy ratio declined from 50.02% as on March 31, 2013 to 31.58% as on March 31, 2014 mainly due to increase in the company's loan portfolio which has been funded out of borrowings. MML's has been able to maintain good asset quality though the company is in a growth phase and has a short track record of operations. This has been possible with rigorous supervision by operations team and regular checks and controls of finance and internal audit department. The portfolio at risk greater than 0 days (PAR>0 days) stood low at 0.0013% as on March 31, 2014.

Modest earnings profile albeit increase in scale of operation

MML started its microfinance business in January 2011 and therefore has a short track record of operations. Disbursements during FY14 (refers to period from April 1 to March 31) was at Rs.55.78 crore against Rs.24.41 crore in FY13 registering a growth of 129%. The portfolio size increased by over 125% in FY14 to Rs.33.21 crore as on March 31, 2014 from Rs.14.63 crore as on March 31, 2013. Growth in business led to improvement in total income by 101% during FY14 and PAT margin from 3.17% in FY13 to 6.58% in FY14. The return on total assets improved from 0.91% in FY13 to 1.95% in FY14.

However, the earnings profile of MML is modest marked by total income of Rs. 8.11 crore in FY14 and profitability of Rs.0.53 crore in FY14. The total income for FY14 also includes advisory income of Rs.0.89 crore. The operating expenses ratio remains high at 14.70% for FY14.

Geographical concentration of portfolio base

MML is operating in 18 districts across 3 states (viz. Punjab, Rajasthan and Haryana) as on March 31, 2014. As on March 31, 2014, approximately 82% of loan portfolio is concentrated in Punjab, 8% in Rajasthan and 10% in Haryana. Operations in Haryana were commenced in FY14 which has led to decline in regional concentration of Punjab from 98% as on March 31, 2013 to 82% as on March 31, 2014.

Regulatory uncertainty and socio-political intervention risks in the microfinance industry

On the regulatory front, the key development was implementation of the Malegam Committee recommendations by RBI for creating separate category for NBFC-MFIs and retaining the priority sector status for NBFC-MFIs. The regulations are for both operational and financial aspects of an MFI and provide comprehensive framework across the country and bring more clarity on the regulatory framework for the sector.

The central government has also released draft (to be tabled in the parliament) MFI bill (The Microfinance Institutions Development and Regulation Bill 2011) intending to provide formal statutory framework for the microfinance sector.

However, until a clear and unambiguous set of guidelines are implemented for the sector, the risk of intervention similar to AP ordinance in other regions is a key rating sensitivity. Socio-political intervention risk would continue to be a key rating sensitivity.

Prospects

Going forward, as the company focuses on increasing its scale of operations, the ability of the company to improve its profitability and maintain comfortable capitalization and asset quality would remain crucial. Furthermore, the enactment of the MFI bill shall also be crucial for reducing the regulatory uncertainty in the MFI sector.

CARE Ratings

Financial Performance

(Rs. Cr)

As on / Year ended March 31,	2012	2013	2014
	A	A	A
Working Results (Rs. Crore)			
Interest on Loans	0.58	2.45	6.11
Total Income	1.10	4.03	8.11
Interest Expense & Finance Charges	0.42	1.23	5.06
Net interest income	0.17	1.22	3.05
Operating Expenses	1.14	2.31	3.88
Depreciation	0.06	0.09	0.15
Total Provision / Write offs	0.04	0.11	0.19
PBT	-0.63	0.28	0.82
PAT	-0.36	0.13	0.53
Financial Position (Rs.Crore)			
Tangible Net worth	5.36	5.50	7.21
Total Borrowings	3.69	12.06	25.25
Total Loan Portfolio (own)	3.81	14.63	33.21
Total Assets	9.27	18.82	36.05
Assets Under Management (AUM)	3.81	14.63	33.21
Key Ratios			
Solvency			
Overall Gearing (times)	0.69	2.19	3.50
Interest coverage (times)	-0.18	1.31	1.32
Capital Adequacy Ratio (CAR) (%)	173.04	50.02	31.58
Tier I CAR (%)	115.36	32.75	20.43
Profitability (%)			
Net Interest Margin	2.15	8.67	11.12
Operating Expenses/ Average Total Assets	15.58	17.11	14.70
ROTA (PAT / Average Total Assets)	-4.64	0.91	1.95
PAT / Total Income (PAT Margin)	-32.56	3.17	6.58
Asset Quality Ratios (%)			
Gross NPA Ratio	Nil	Nil	Nil
Net NPA Ratio	Nil	Nil	Nil
Net NPA to Net-worth	Nil	Nil	Nil

Note: Ratios have been computed based on average of annual opening and closing balances.
NIM has been calculated as net interest income/ average annual total assets

CARE Ratings

Annexure II

Brief Rationale

CARE assigns 'CARE BBB-' rating to the proposed Non-Convertible Debentures (NCDs) of Midland Microfin Limited

Rating

Instrument	Amount (Rs. Crore)	Ratings[1]	Remarks
Non-convertible debentures (NCDs)	25	CARE BBB- (Triple B Minus)	Assigned
Total	**25**		

Rating rationale

The rating of Midland Microfin Limited (MML) derives strength from the experience of the promoter and management team, strong promoter group, good loan appraisal and portfolio management systems in place, comfortable capitalization levels and strong asset quality. However, the rating is constrained by the modest earning profile of MML, geographical concentration of operations and inherent socio-political, regulatory and operational risks.

The ability of MML to grow its portfolio and improve profitability, while maintaining good asset quality and comfortable capitalization would be the key rating sensitivities.

Background

Midland Microfin Ltd (MML) was originally incorporated as 'Sajan Hire Purchase Pvt. Ltd (SHPPL)' on May 28, 1988. SHPPL was engaged in hire purchase business. In June 2010, the Midland Group of Punjab acquired SHPPL with the aim of venturing into the Microfinance business and the name of the company was changed to *MML* in January 2011. The hire purchase business was also discontinued at the same time. MML is registered with RBI as a non-deposit taking NBFC.

MML follows a five-member group lending methodology under Joint Liability Group (JLG) model. MML is currently operating in 3 states (i.e. Punjab, Rajasthan and Haryana). The

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

operations are managed through a network of 21 branches with total of 46,550 active borrowers and loan portfolio of Rs.33.21 crore as on March 31, 2014.

During FY14 (refers to the period April 1 to March 31), MML reported a PAT of Rs.0.53 crore on a total income of Rs.8.11 crore as compared with a PAT of Rs.0.13 crore on a total income of Rs.4.03 crore in FY12. As on March 31, 2014, the assets under management (AUM) stood at Rs.33.21 crore and the capital adequacy ratio (CAR) was 31.58%.

Analyst Contact
Name: Ankita Sehgal
Tel: 011-45333226
Mobile: 9958700336
Email: ankita.sehgal@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications