PRESS RELEASE

MULTIPURPOSE FINANCE LIMITED

July 2026

Rating

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN B+(Is)	Upgraded from IRN B (Is)
Total	**NA**		

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating to IRN B+ (Is) [Single B Plus (Issuer)] from IRN B(Is) [Single B (Issuer)]. Issuers with this rating are considered to have a high risk of default regarding the timely servicing of financial obligations.

Detailed Rationale

The upgradation of issuer rating assigned to Multipurpose Finance Limited (MPFL) derives strength from healthy growths in both deposits and advances (increase of ~70% and ~32% respectively in FY25 over FY24) albeit on a low asset base. The rating also factors in the addition of two new branches in Madhesh Province during last quarter of FY26, which is expected to allow MPFL to expand its outreach into previously untapped markets resulting in possible growths in both advances and deposits in near future. The rating also continues to derive strength from robust capitalization profile (Overall CAR stood at 19.90% in H1FY26), lowered cost of funds resulting from excess liquidity in Nepalese economy coupled with higher CASA proportion and well diversified credit portfolio. The rating also factors in improvement in financial profile characterized by notable uptick in both interest and non-interest income over past year (~13% and ~396% y-o-y growth in FY25). The company's high yield on advances (~13.83%), combined with the lowered cost of funds along with expanded scale of operations, has contributed to stronger operating margins and a wider interest rate spread (~4.17%), thereby enhancing overall profitability as indicated by PAT doubling to ~NPR 23 Mn in FY25 from ~NPR 10 Mn in FY24.

These rating strengths however are constrained by a sharp deterioration in its assets' quality evidenced by a significant increase in the non-performing asset (NPA) ratio, which surged to 8.30%as of mid-January 2026, up from 5.47% at the end of FY25 primarily resulting from sustained overall economic downturn and increasing loan portfolio. The stress on MPFL's asset quality is likely to sustain, leading to added pressure on the company's earnings and distributable profits. Consequently, adverse effects on impairment charges and provision coverage indicators have been observed. Despite the NPA ratio of MPFL being below the industry average, the rapid escalation of NPA considering small asset base of MPFL is alarming. The rating also factors in modest liquidity profile with negative cumulative mismatches except over 1 year, limited geographical coverage accompanied by intense competition with low market share and high albeit declining institutional depositor's concentration (~29.38% among top 20 institutional depositors as of Mid-January 2026). Going forward, the company's ability to improve its asset quality alongside financial profile, leverage its capital structure to generate profit, maintain a stable liquidity profile and manage impact of other regulatory changes by NRB would remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improving financial performance marked by increase in advances and deposits

MPFL's scale of operations continued to expand, supported by healthy growth in both deposits and advances. Deposits increased by ~70% to NPR 3,173 Mn in FY25 and further by ~8% to NPR 3,420 Mn as of Mid-January 2026, while advances grew to NPR 1,990 Mn in FY25 from NPR 1,503 Mn in FY24 and further to NPR 2,190 Mn in H1FY26. Consequently, interest income increased by ~13% in

FY25; however, it moderated by an annualized ~4% in H1FY26 due to declining lending yields (12.13% in H1FY26 vis-à-vis 13.83% in FY25 and 16.23% in FY24) amid excess liquidity in the banking system. PAT more than doubled to NPR 23 Mn in FY25 from NPR 10 Mn in FY24, driven by the expanded business scale, but moderated to NPR 7.83 Mn in H1FY26 owing to higher impairment charges arising from asset quality deterioration. While the cost of funds improved to 6.99% in FY25 and further to 5.51% in H1FY26, the significant decline in the CD ratio (64.03% in H1FY26 and 62.73% in FY25 vis-à-vis 80.39% in FY24) resulted in lower deployment of funds into interest-earning assets, compressing the net interest margin to 1.73% in H1FY26 from 2.61% in FY25 and 3.71% in FY24. Consequently, ROTA improved to 0.70% in FY25 but moderated to 0.38% in H1FY26 (FY24: 0.45%) due to elevated impairment costs. Overall, MPFL's strategic initiatives seem to be yielding positive results, as evidenced by the substantial growth across various financial metrics.

Healthy capital adequacy profile

MPFL's capital adequacy profile remains healthy, with the overall Capital Adequacy Ratio (CAR) standing at 19.90% as of H1FY26 and 17.58% as of FY25 end, comfortably above the regulatory minimum requirement of 11%. Although this reflects a decline from 40.63% in mid-April 2024 and 24.51% in FY2024, the reduction is attributable to the company's strategic efforts to deploy excess capital through the expansion of its loan portfolio. The moderation in CAR indicates improved capital deployment efficiency, as opposed to the elevated CAR levels in FY23, which pointed to underutilization of capital resources. While a high CAR can signify a strong capital buffer, it may also reflect inefficiencies in capital utilization, potentially constraining returns. However, the current CAR level of ~19.90% strikes a healthy balance between risk absorption capacity and capital productivity, thereby supporting the company's growth ambitions while maintaining a prudent capital cushion.

Diversified sector wise credit portfolio

MPFL has been disbursing loans to various Industry/ Sector such as agriculture, forestry & beverage production related; non-food production related; construction; retailer trade; finance, insurance and real estate; hotel or restaurant; consumption loan etc. In H1FY26, the proportion stood at ~40% for consumption loans, ~25% for agricultural and forest related loan followed by ~24% towards retailer and ~5% towards finance sector. Targeting multiple industries and sectors can increase the company's customer base and provide more opportunities for growth while maintaining asset quality.

Key Rating Weaknesses

Deteriorated Asset Quality

MPFL's asset quality has exhibited a weakening trend, albeit remaining better than the industry average. The asset quality of MPFL has deteriorated further in FY25 with NPL reaching NPR 109 Mn in FY25 and NPR 177 Mn in H1FY26 (from 65 Mn in FY24). Likewise, the GNPL ratio stood at 5.47% (industry average: 11.05%) in FY25 and ~8.30% in H1FY26 (industry average: 11.86%), which deteriorated from 4.34% in FY24 (industry average: 9.87%). The provision coverage ratio though improved to 104% in FY25 again deteriorated to 78% in H1FY26 following additional NPA's during H1FY26. Despite the NPA increasing significantly during the past couple of years, the same is also true for entire industry. The rising asset slippages have necessitated higher provisioning requirements, thereby exerting pressure on the company's profitability. Going forward, the management's ability to contain further asset quality deterioration, control incremental slippages, and sustain earnings following the expanded scale of operations will remain a key rating monitorable.

Modest liquidity profile

MPFL has maintained CRR of ~5.22% as on last week of mid-January 2026 and SLR of 47% as on Mid Jan, 2026 (~4.57% and 45% respectively as on mid-July 2025). CRR and SLR is in compliance with NRB norms of 4% and 10% respectively. Its liquidity coverage ratio stood at 47.59% as on mid-January, 2026 as opposed to 34.56% in FY25 end and 38.31% in FY24 end. However, MPFL's liquidity profile as on Mid-January, 2026 shows negative cumulative mismatches except over 1 year due to increased CASA proportion. If the bank is unable to meet its obligations in this bucket, it may have to borrow at a higher cost to meet its obligations, which can impact its profitability. It is the sign of potential liquidity risk for the bank, and it highlights the need for the bank to manage its assets and liabilities effectively to ensure that it has sufficient liquidity to meet its obligations.

High concentration on institutional depositors
MPFL deposits from top 20 institution depositors have decreased to 29.38% as on January 13, 2026. Albeit slight moderation from ~29.78% of total deposit in FY25, the concentration of top 20 depositor is in higher echelon. Higher concentration towards deposits normally increases re-pricing risks at times of interest rate volatility.

Intense competition
Currently, there are 17 finance companies operating with total 291 branches all over Nepal (based on monthly statistics published by NRB for Mid-January, 2026) out of that MPFL has 8 branches. Industry (Class 'C' Banks-Finance Companies) has achieved total interest income of NPR 5,734 Mn and net interest income of NPR 1,997 Mn in H1FY26; MPFL's share on interest income is ~2.20% (NPR 126.03 Mn) and on net interest income is 1.80% (NPR 35.87 Mn) for H1FY26 against ~2.04% (NPR 135.84 Mn) and 2.62% (NPR 46.67 Mn) respectively as on H1FY25. MPFL faces a significant challenge in maintaining its market share and expanding its geographical coverage given increased competition, as well as the presence of commercial and development banks that offer wider banking services and lend at lower interest rates.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Bank Rating Methodology

Link to Past Rating Rationale:
Multipurpose Finance Limited: Issuer Rating Reaffirmed

About the Company:
Incorporated in January 1997, Multipurpose Finance Company Limited was later changed to Multipurpose Finance Limited (MPFL) on March 18, 2022. It is a 'C' class provincial level finance company licensed from Nepal Rastra Bank (NRB). As of mid-January 2026, MPFL has a small scale of operation and is a provincial level finance company operating in Madhesh Pradesh with eight branches (including head office). The company's paid up capital was NPR 610.20 Mn as of mid-January 2026, distributed among promoter and public shareholders in the ratio of 51:49.

Financial Indicators (Standalone)

(NPR Mn)

For the year ended* As on	FY22	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited	Unaudited
Interest Income	92	182	233	264	127
Total Income	101	194	255	371	164
Interest Expenses	58	133	146	176	91
Net Interest Income	34	48	87	88	36
Profit After Tax	2	9	10	23	8
Deposits	841	1,531	1,870	3,173	3,420
Advances (Net Figure)	712	1,183	1,444	1,877	2,051
Total Assets	1,339	2,078	2,600	4,109	4,197
Interest Rate Spread (%)	4.19	6.24	6.97	4.17	2.44
CASA (%)	25.20	28.80	37.09	31.81	29.96
Total CAR (%)	43.32	28.61	24.51	17.58	19.90

For the year ended* As on	FY22	FY23	FY24	FY25	H1FY26
	Audited	Audited	Audited	Unaudited	Unaudited
Tier-I Capital (%)	40.41	26.30	23.91	16.98	18.68
Gross NPL to Gross Advances (%)	1.29	0.88	4.34	5.47	8.30
Provision Coverage Ratio (%)	158	210	92	104	78
Cost of Funds (%)	9.57	11.23	8.61	6.99	5.51
Credit to Deposit Ratio (%)	86.48	78.71	80.39	62.73	64.03
Net Liquid Assets to Total deposit (%)	45.24	35.28	38.31	34.56	47.59

** Classification as per Infomerics Nepal Standards*

Analyst Contacts

Mr. Raunak Mulmi
+977-1-4583304/4585906
raunak.mulmi@infomericsnepal.com

Mr. Pradosh Aryal
+977-1-4583304/4585906
pradosh.aryal@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini
+977-1-4583304/4585906
rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:
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Infomerics Credit Rating Nepal Limited
Tanka Prasad Marga, Baneshwor Height, Kathmandu
Phone: +977-1-4583304/4585906
Email: info@infomericsnepal.com
Web: www.infomericsnepal.com

the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.