



Press Release

Reclassification

MDFC Financiers Private Limited (MFPL)

March 13, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities- Term Loans	39.46	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Proposed Long Term Facilities – Term Loan	74.54	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Facilities – Cash Credit	0.50	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Proposed Long Term Facilities – Cash Credit	0.50	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Facilities- Term Loan	0.00*	-	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Withdrawn	-
Total	115.00 (Rupees One hundred and fifteen crore only)				

* Infomerics Ratings has withdrawn term loan facility at the request of the issuer and based no dues certificate received from the lender and it is as per Infomerics Ratings policy on Withdrawal of ratings.



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Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

As of March 2025, MDFC has requested us to include facilities sanctioned from Nabsamruddhi Finance Limited in press release along with reclassification of existing facilities as well as withdrawal of term loan from AU small finance bank due to periodic repayments.

Infomerics Ratings has continued its rating to the Bank facilities of MDFC Financiers Private Limited (MFPL) based on the improved scale of operations, comfortable capitalization and extensive experience of promoters. However, rating is partially constraint by unseasoned portfolio, geographical concentration risk and intense competition.

Infomerics Ratings expects outlook to remain stable on account of expected growth in asset under management (AUM) with comfortable capitalisation levels driven by expected periodic capital infusion by the promoters.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in loan portfolio along with geographical diversification while maintaining healthy asset quality, profitability and capitalization.

Downward Factors

- Substantial decline in loan portfolio and/or any deterioration in asset quality, profitability and capitalization levels below regulatory requirement.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improved Scale of operations**
MFPL's AUM has increased at CAGR of ~52% throughout FY22 to FY24 to stood at Rs.115.02 crore (Own book portfolio of Rs. 110.33 crore and off book portfolio of Rs.



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4.69 crore) as on March 31, 2024. In 9MFY25, AUM has further increased to Rs.128.91 crore.

Infomerics expects growth in AUM would be depends upon ability of the promoters to infuse the capital and additional borrowings while keeping gearing at the current levels.

- **Adequate Capitalization**

MFPL has adequate capitalization levels supported by continuous equity infusion by promoters. As on March 31, 2024 total CRAR stood at 23.04%. (Vis-à-vis 23.37% in FY23) which is above the minimum regulatory requirement of 15%. The capitalization is supported by tangible net worth of Rs.28.60 crore as on March 31, 2024(vis-à-vis Rs.16.11 crore as on March 31, 2023) which has further increased to Rs.33.62 crore in 9MFY25 due to retention of profits and capital infusion by promoters.

IVR expects capitalization level to remain comfortable on account of healthy internal accruals.

- **Experienced promoters and management**

MFPL's promoters Mr. Mukesh Kumar Pawanda and Mrs. Swati Pawanda are having more than two decades of experience in lending and business development of Auto and MSME Loans. They are assisted by well qualified management team.

Key Rating Weaknesses

- **Unseasoned portfolio**

Mr. Mukesh Pawanda acquired the company in 2019. Since the change in management, AUM of MFPL has increased significantly. ~75% of the company's AUM as of March 31, 2024, was originated in FY23, further considering average tenor of 3 to 4 years, portfolio of MFPL remains unseasoned.

Asset quality of MFPL marginally deteriorated though remain comfortable with GNPA and NNPA at of 0.54% and 0.46% respectively as on March 31, 2024(vis-à-vis 0.19% and 0.17% respectively in FY23). It has deteriorated to 1.79% and 1.51% in 9MFY25 as portfolio becomes more seasoned.



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Infomerics expects asset quality is likely to deteriorate slightly in the medium term with further seasoning of the portfolio, however it is likely to commensurate with the current rating levels.

- **Geographical Concentration Risk**

MFPL has major presence in the state of Rajasthan which contributes ~94% of portfolio as on March 31, 2024. One state concentration exposes MDFC to higher geographical concentration risk. Going forward the ability of the company to diversify geographically and achieve substantial and sustained growth in its loan book will be a key rating monitorable.

- **Competition in NBFC segment**

Even though MFPL has wide range of products, its product diversification remains low with the concentration primarily being in the vehicle loan segment. Lending to the marginal borrower profile and the political and operational risks associated with vehicle loans may result in high volatility in the asset quality indicators. The NBFC industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position as has been seen during the pandemic and demonetisation coupled with severe competition by other NBFCs and Banks.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Financial Ratios and Interpretation \(Financial Sector\)](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on withdrawal of ratings](#)



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Liquidity – Adequate

As of March 31, 2024, MFPL's ALM has positive cumulative mismatch across all buckets. Cash and liquid investments stood at Rs.15.53 crores as on 31 March 2024. Considering the scale of operations as on March 31st, 2024, the company is well capitalized with a CAR 23.04%.

About the Company:

Incorporated in August 1996, MFPL is a Reserve Bank of India (RBI) registered non-deposit taking Non-Banking Finance Company. In August 2019, the company was acquired by current promoters Mr. Mukesh Kumar Pawanda and Mrs. Swati Pawanda.

MFPL is primarily engaged in financing of two wheelers, auto loans, unsecured personal loans and Loan against Property (LAP) to customers in lower and middle-income segment.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Income	12.32	23.82
PAT	0.46	1.70
Tangible Net worth	16.11	28.60
Total Loan Assets	79.52	136.89
Ratios		
NIM (%)	10.66	9.92
ROTA (%)	0.80	1.60
Interest Coverage (times)	1.10	1.18
Total CAR (%)	23.37%	23.04%
Gross NPA [Stage III] (%)	0.19%	0.54%
Net NPA [Stage III] (%)	0.17%	0.46%

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating history for past three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024 - 25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023 - 24	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2020 - 21
1.	Fund based Facilities – Term Loan	Long Term	39.46	IVR BBB-/Stable (March 13,2025) IVR BBB-/Stable (September 10,2024)	-	-	-
2.	Proposed Fund based Facilities – Term Loan	Long Term	74.54	IVR BBB-/Stable (March 13,2025) IVR BBB-/Stable (September 10,2024)	-	-	-
3.	Fund based Facilities – Cash Credit	Long Term	0.50	IVR BBB-/Stable (March 13,2025) IVR BBB-/Stable (September 10,2024)			
4.	Fund based Facilities- Term Loan	Long Term	0.00*	Withdrawn (March 13, 2025)			



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				IVR BBB-/Stable (September 10, 2024)			
5.	Proposed Fund based Facilities – Cash Credit	Long Term	0.50	IVR BBB-/Stable (March 13, 2025) IVR BBB-/Stable (September 10, 2024)			

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit



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Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details –

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	-	-	August 2024 to October 28	39.46	--	IVR BBB-/Stable
Proposed Long Term Bank	-	-	-	-	74.54	--	IVR BBB-/Stable



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Facilities-Term Loan							
Long Term Bank Facilities-Cash Credit	-	-	-	-	0.50	--	IVR BBB-/Stable
Proposed Long Term Bank Facilities-Cash Credit	-	-	-	-	0.50	--	IVR BBB-/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-MDFC-Financiers-13mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com