



## Press Release

### MAG Finserv Company Limited (MFCL)

March 21, 2022

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	<a href="#">Complexity indicators</a>
1.	Long Term Fund Based Facility – Cash Credit	10.40	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
2.	Long Term Fund Based Facility – (Proposed) Cash Credit	-- (Previous amount 4.60)	--	Withdrawn	Simple
3.	Long Term Fund Based Facility – (Proposed) Term Loan	16.60 (Increased from INR15.00 Crore)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and Outlook assigned; removed from Credit Watch with Developing Implications	Simple
4.	Short Term Non Fund Based Facility – Overdraft (OD)	3.00	IVR A3 (IVR Single A Three)	Assigned	Simple
	<b>Total</b>	<b>30.00</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the rating continues to derive comfort from its experienced promoter and management team, moderate scale of operation although improving, healthy operational indicators, comfortable capital adequacy along with adequate asset quality. However, the rating strengths are partially offset by geographical concentration in operation and its competitive nature of industry.

Earlier, the rating was placed under credit watch with developing implications due to industry headwinds arising out of COVID-19 crisis.



## Press Release

Infomerics have resolved the watch and assigned stable outlook on account of improvement in overall financial and operating performance of the company in 9FY22 which is also expected to continue; albeit moderation of performance in FY21.

### **Key Rating Sensitivities:**

- **Upward Factor**
  - Substantial scaling up its operations and diversifying its loan portfolio geographically, while improving the asset quality indicators, adequate capital position and profitability
- **Downward Factor**
  - Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced promoter and management team-**

Promoters of the Company are well qualified, having long track record of over 3 decades in corporate and finance domain. Company has and is expected to succeed in the future under the bright and clear vision of such promoters. Mr. Ananta Mohotkar is the pioneer in the success of MFCL. Management of the Company involves various professionals from finance, accountancy as well as law background. Highly qualified and experienced management facilitates the Company to achieve its objectives in efficient manner.

##### **Moderate scale of operation although improving**

The company AUM though increase remains moderate in FY21 at INR128.92 crore (FY20:INR100.16). However, it AUM is expected to improve further as in 9MFY22 the AUM was at INR145 Crore. As on March 31st, 2021, MFCL had 21 branches spread across western parts of Maharashtra (18 Branches) and Karnataka (3 Branches), it has basically a regionally concentrated portfolio. The company is planning to open 5 branches in CY22 in other districts of Maharashtra & Karnataka.



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### **Comfortable Capital Adequacy-**

With increase in the scale of operations, accretion of profits y-o-y with maintained dependence on debt has led to a comfortable CAR of 23.46% as on March 31, 2021 (9MFY22: 26.29%). Also, with a robust LTV of ~65% and underlying commodity witnessing an appreciative value, the loan against gold has comparatively lower risk associated to it. Considering the same the CAR will further improve in the projected period with the increase capital infusion and the same remains key monitorable factor.

### **Moderate financial performance & operational indicators:**

The interest income of the company remained stable at INR23.54 Crore in FY21 as compared with FY20 at INR23.36 Crore although the same has improved in 9MFY22 at INR20.04 Crore backed by the increase in its portfolio majorly towards gold loan segment wherein the gold loan portfolio comprised of ~43% in FY21 which has increased to ~65% in 9MFY22. The overall PAT has declined from INR3.43 Crore in FY20 to INR2.36 Crore in FY21, however, the same has improved in 9MFY22 at INR2.61 Crore backed with increase in interest income and moderate expenditure. Company reported Net Interest Margin (NIM) of 8.75% in FY21 as against 10.36% in FY20. ROTA stood at 3.54% in FY21 as against 5.06% in FY20 backed by decline in the PAT of FY21, however the same is expected to improve in the projected period. ROCE stood at 12.27% in FY21 as against 14.59% in FY20. The overall gearing ratio of the company remained moderate and increased to 4.04x in FY21 as against 3.32x in FY20 wherein the tangible net worth of the company remained stable at INR28.13 Crore against increased in its overall debt size for FY21.

Further, the GNPA increased to 1.16% in FY21 from 0.76% in FY20 and NNPA stood at 0.33% in FY21 as against 0.76% in FY20, the decline in NNPA% for FY21 was due to additional provisioning made by the company. However, despite of the unprecedented effects of second wave of Covid-19 along with its strategic shift of increasing its concentration towards gold loan portfolio the asset profile stood improved in 9MFY22 with GNPA of 1.09% and NNPA of 0.11%. The Collection efficiency of MFCL is improving month over month and has achieved cumulative collection efficiency of more than 90% as on December 31, 2021.



## Press Release

### **Adequate Asset Quality-**

There has been y-o-y increase in the scale of operations of MFCL, the company had maintained its asset quality over the years. The Gross Non-Performing Assets stood at 1.16% and Net Non-Performing ratio of 0.33% as on March 31, 2021. The same has improved further as on December, 2021 wherein GNPA stood at 1.09% and NNPA of 0.11% backed with improvement in collection efficiency ratio of more than 90% as on December, 2021

### **Key Rating Weaknesses**

#### **Geographical concentration in operation-**

MFCL operations are moderately diversified with presence particularly in the western parts of Maharashtra followed by Karnataka and one in Goa. The company generates more than 95% of its revenue from the state of Maharashtra with its competitive advantage of reach and local knowledge in those states.

#### **Competitive nature of industry**

MFCL is exposed to stiff competition from other varied sized NBFCs. The lending industry focused around gold, two wheeler vehicle loan, LAP and secured business loan are highly fragmented with unorganized lenders also vying for the same set of borrowers. However, MFCL professional management and focused approach towards these lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks attached to them.

**Analytical Approach:** Standalone Approach

**Applicable Criteria:**

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



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### Liquidity: Adequate

MFCL overall liquidity profile remains adequate with no negative cumulative mismatches in the near to medium term as per the ALM ending March 31st, 2021. The average working capital utilisation for all the fund based facility stands at an average of ~77% as on December 31, 2021 indication sufficient liquidity cushion. Furthermore, the company maintains adequate levels of cash balances (including FD) amounting to INR5.96 Crore as on March 31, 2021.

### About the Company

MAG Finserv Company Limited commenced its operation from 2005 onwards by acquiring equity in an existing NBFC registered with RBI that was incorporated in 1995 and belonged to Bhosale Group (previously known as Bhosale Leasing & Finance Co. Ltd). The promoter has its roots from rural area, therefore understands the need of the rural economy and has accordingly framed the loan schemes without any peculiar complication and which is understandable for the common people at large. The company is engaged in the business of providing loans against gold, two-wheeler loans, LAP and micro financing. Over 90% of its AUM comprises of Gold loan, two wheeler loan and LAP and less than 10% comprises of micro financing. Currently the company has 18 branches spread across Maharashtra and Karnataka.

### Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Operating Income	23.36	23.54
Interest Expenses	12.19	12.55
PAT	3.43	2.36
Total Debt	85.22	113.61
Tangible Net-worth	25.69	28.13
Total Loan Assets	100.16	128.92
<b>Ratios (%)</b>		
PAT Margin (%)	13.61	10.01
Overall Gearing Ratio (x)	3.32	4.04
Total CAR (%)	27.54%	23.46%
Gross NPA (%)	0.76	1.16
Net NPA (%)	0.61	0.33

\*Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** Brickwork Ratings has continued the rating of MAG Finserv Company Limited into the Issuer Non-Cooperating (INC) category as per the Press Release dated February 25, 2022.

**Any other information:** None

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (December 22, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit	Long Term	10.40	IVR BBB-/ Stable Outlook	IVR BBB-/ Under credit watch with developing implications	--	--
2.	Long Term Fund Based Facility – (Proposed) Cash Credit	Long Term	--	--	IVR BBB-/ Under credit watch with developing implications	--	--
3.	Long Term Fund Based Facility – (Proposed) Term Loan	Long Term	16.60	IVR BBB-/ Stable Outlook	IVR BBB-/ Under credit watch with developing implications	--	--
4.	Short Term Non Fund Based Facility – Overdraft (OD)	Short Term	3.00	IVR A3	--		

**Name and Contact Details of the Rating Team:**

Name: Jayshree Purohit

Tel: (022) 62396023

Email: [jpurohit@infomerics.com](mailto:jpurohit@infomerics.com)

Name: Amit Bhuwania

Tel: (022) 62396023

Email: [abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)



## Press Release

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	10.40	IVR BBB-/ Stable Outlook
Long Term Fund Based Facility – (Proposed) Term Loan	--	--	--	16.60	IVR BBB-/ Stable Outlook
Short Term Non Fund Based Facility – Overdraft (OD)	--	--	--	3.00	IVR A3

**Annexure 2: List of companies considered for consolidated analysis – Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/MAG-Finserv-lenders-mar22.pdf>



## Press Release

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.**