



Press Release

MS Fincap Private Limited

November 23, 2023

Ratings

Instrument Facility /	Amount* (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Term Loans	59.49	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities- Working Capital Facilities	3.35	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Proposed Long Term facilities	2.16	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Total	65.00 (INR Sixty-Five Crores only)			

*The total limits to be rated have been enhanced to Rs 65.00 Crore from Rs 40.00 Crore.

Details of Facilities are provided in Annexure I

Detailed Rationale

The rating reaffirmation for the bank loan facilities of MS Fincap Private Limited (MSFPL) continues to derive strength from the experienced promoters, adequate capitalization and consistent improvement in the financial profile of the company. The rating is however constrained by decline in profitability, NIM, ISCR not withstanding the growing AUM.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability. Performance of new locations / geography



Press Release

both in terms of growth of AUM and portfolio quality are going to be key monitorable along with profitability.

Downward Factors

- Substantial deterioration in the loan portfolio, adverse movement in the collection efficiency which impacts the asset quality and profitability significantly thereby increasing the credit cost for the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

MSFPL commenced its lending operations from 2017. Its executive directors Mr. Mukund Modi & Mr. Shridhar Modi have extensive experience in the financial services industry which supports the business profile of the company. Also, on its board are other experienced professionals who maintain strong oversight on the business, which has helped the Company in placing prudent lending practices with stringent credit assessment and monitoring. The management team of MSFPL also consists of experienced personnel from the BFSI industry with relevant and adequate experience.

Adequate capital adequacy

MSFPL has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) of 26.26% as on 31 March 2023, compared with the minimum regulatory requirement of 15%. The company's net worth has consistently increased over the years due to retention of profits and stands at Rs 45.42 Crores with a moderate gearing of 2.83x as on 31 March 2023.

Consistent improvement in financial performance



Press Release

The company's loan assets have increased from Rs.144.81 crore as on March 31, 2022 to Rs.167.69 crore as on March 31, 2023. However, the same has increased to Rs 201.86 Crores in H1FY24. MSFPL posted a net profit of Rs.5.92 crore in FY23 on a total income of Rs.28.24 crore as against a profit of Rs.6.01 crore on a total income of Rs.23.08 crore in FY22. The ROTA was comfortable at 3.69% as on March 31, 2023.

The GNPA improved to 1.01% in FY23 from 3.13% in FY22. Due to adequate provisioning, the NNPA levels moderated to 0.61% in FY23. NIM stood comfortable at 10.09% for FY23, though witnessed a declining trend.

Key Rating Weaknesses

Low scale of operations due to geographical concentration:

MSFPL's operations are concentrated majorly in the state of Rajasthan. Operations majorly in one state exposes the MSFPL to high geographical concentration risk. However, company is gradually expanding its network in the state of Madhya Pradesh and Gujarat by opening new branches. Portfolio growth and quality of the portfolio along with profitability will remain the key monitorable.

Competitive nature of industry:

MSFPL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs/MSMEs and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, MSFPL's professional management and focused approach towards SME/MSME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone



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Applicable Criteria

[Rating Methodology for NBFCs](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The company is well capitalized with a CAR (%) of 26.26% as on March 31st, 2023. Also, it has adequately matched asset liability profile as on September 30th, 2023, with majority of the portfolio currently funded with equity raised from promoters & shareholders of company.

About the Company

MS Fincap Private Limited (MSFPL) is a Jaipur based Non-Banking Financial Company, Incorporated in 2016 and registered with Reserve Bank of India (RBI) as Asset Finance Company (ASF). In 2017 company started its business with single branch in Jaipur, however it expanded its business and currently has 35 branches & 10 spoke locations spread across three states- Rajasthan, Madhya Pradesh & Gujarat. MSFPL extends Business Loans & Loans against Property. The company's focus is to develop a portfolio with mostly secured lending. Company has started extending educational Loans since 2020 through MSFC app (mobile app).

Financials (Standalone):

INR in crore

For the year ended*	31-03-2022	31-03-2023	30-09-2023
As on			
	Audited	Audited	Provisional
Total Income	23.08	28.24	19.44
PAT	6.01	5.92	3.49
Loan portfolio	144.41	167.69	201.86



Press Release

Tangible Net worth	34.13	45.42	48.83
Total Debt	112.82	128.41	159.48
Gearing (Times)	3.31	2.82	3.27
GNPA (%)	3.13	1.01	0.73
NNPA (%)	1.67	0.61	0.57
CRAR (%)	23.79	26.26	23.45

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 October 06, 2022	Date(s) & Rating(s) assigned in 2021-22 October 04, 2021	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities – Term Loan	Long Term	59.49	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	-
2.	Long Term Bank Facilities – Working Capital Facilities	Long Term	3.35	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	
3.	Proposed Long Term Bank Facilities	Long Term	2.16	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	

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About Infomerics:



Press Release

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Up to 2028	59.49	IVR BBB-/Stable
Cash Credit	-	-	Revolving	1.50	IVR BBB-/Stable
Overdraft	-	-	Revolving	1.85	IVR BBB-/Stable
Proposed Loans	-	-	Long Term	2.16	IVR BBB-/Stable



Press Release

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MSFincap-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

