



Press Release

MS Fincap Private Limited

06 October 2022

Ratings

Instrument Facility /	Amount* (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Term Loans	7.05	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities- Working Capital Facilities	5.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Proposed Long Term facilities	27.45	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Total	40.00 (INR Forty Crores only)			

*IVR had rated proposed long-term facilities of Rs 20 Crores, out of which Rs 12.55 Crores has been raised and the total limits to be rated has been enhanced to Rs 40.00 Crores.

Details of Facilities are provided in Annexure I

Detailed Rationale

The rating reaffirmation for the bank loan facilities of MS Fincap Private Limited (MFPL) continues to derive strength from the experienced promoters, adequate capitalization and consistent improvement in financial profile of the company. The rating is however constrained by moderate asset quality, low scale of operations given the geographical concentration and competitive nature of industry.

Key Rating Sensitivities:

Upward Factors



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- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and 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.

Adequate Capital adequacy

MSFPL has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) of 23.09% as on 31 March 2022, 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 34.13 Crores with a moderate gearing of 3.31x as on 31 March 2022.

Consistent improvement in financial performance



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The company's loan assets have increased from Rs.111.15 crore as on March 31, 2021 to Rs.144.81 crore as on March 31, 2022. However, the same has decreased to Rs 125.93 Crores in Q1FY23. MSFPL posted a net profit of Rs.6.01 crore in FY22 on a total income of Rs.23.00 crore as against a profit of Rs.5.60 crore on a total income of Rs.19.17 crore in FY21. The ROTA was comfortable at 4.58% as on March 31, 2022. NIM stood comfortable at 11.63% for FY22.

Key Rating Weaknesses

Moderate albeit improving Asset Quality: Company provides large ticket LAP loans and Construction loans. Company started providing educational loans since 2020. Due to risks associated with large ticket sized loans, the company has taken a conscious decision to reduce the ticket size and improve the granularity of the loans. The same has resulted in improvement of asset quality. However, the asset quality remains moderate with GNPA moderating to 3.12% in FY22 from 3.88% in FY21. Due to adequate provisioning made, the NNPA levels moderated to 1.87% in FY22. However, due to rundown of the loan portfolio, GNPA and NNPA moderated to 3.80% and 1.92% respectively as on 30 June 2022.

Low scale of operations due to Geographical Concentration:

MSFPL's operations are concentrated majorly in the state of Rajasthan and hence the loan portfolio stands low at Rs 125.93 Crores as on 30 June 2022. Operations in one state exposes the MSFPL to high geographical concentration risk. However, company is gradually expanding its network in the state of Rajasthan by opening new branches.

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



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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

Applicable Criteria

[Rating Methodology for NBFCs](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The company is adequately capitalized with a CAR (%) of 23.09% as on March 31st, 2022, and Networth of Rs 34.13 Crores. Also, it has adequately matched asset liability profile as on March 31st, 2022. As on 30 June 2022, the company has cash and bank balances of Rs 0.56 Crores and undrawn bank limits of Rs 5.28 Crores.

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 it has now 23 branches spread across state of Rajasthan. MSFPL extends Business Loans & Loans against Property. The company's focus is to develop a portfolio with secured lending contributing at least 90% of the total portfolio while the unsecured portfolio contributing 10%. Company has started extending educational Loans and Fintech loans.



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Financials (Standalone):

INR in crore

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Income	19.17	23.00
PAT	5.60	6.01
Loan portfolio	111.15	144.41
Tangible Net worth	28.13	34.13
Total Debt	87.43	112.82
Gearing (Times)	3.11	3.31
GNPA (%)	3.88	3.12
NNPA (%)	2.35	1.87
CRAR (%)	25.69	23.09

* 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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 October 04, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities – Term Loan	Long Term	7.05	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2.	Long Term Bank Facilities – Working Capital Facilities	Long Term	5.50	IVR BBB-/Stable	IVR BBB-/Stable		



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3.	Proposed Long Term Bank Facilities	Long Term	27.45	IVR BBB-/Stable	IVR BBB-/Stable		

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About Infomerics:

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	-	-	2025	7.05	IVR BBB-/Stable
Cash Credit	-	-	Revolving	1.50	IVR BBB-/Stable
Overdraft	-	-	Revolving	4.00	IVR BBB-/Stable
Proposed Loans	-	-	Long Term	27.45	IVR BBB-/Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-MS-Fincap-oct22.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.