



Press Release

Mangal Credit and Fincorp Limited (MCFL)

May 09, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Long term fund-based Bank Facilities	70.00 (Enhanced from 20.00)	IVR BBB/ Stable (IVR Triple B Stable)	IVR BBB-/ Stable (IVR Triple B Minus Stable)	Revised	Simple
	70.00				

Details of facilities are in Annexure 1

Detailed Rationale

The rating upgrade of Mangal Credit and Fincorp Limited (MCFL) considers the improvement in total loan assets along with improvement in asset quality in 9MFY22. Further rating continues to derive comfort from experienced promoters, healthy operational indicators and adequate capitalization indicators. However, these rating strengths remain constrained by geographic concentration risk and competitive nature of industry.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

Detailed Description of Key Rating Drivers

Key Rating Strengths



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Experienced promoters

MCFL commenced its lending operations 2012, after taking over the business from its previous management. Its Chairman & managing director, Mr. Meghraj Jain along with Mr. Manish Rath (CEO) 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.

Healthy operational indicators

Leveraging on the promoter's established presence in the financial services industry along with strong foothold in its key operating geographies, it has demonstrated a healthy growth. MCFL is engaged in extending unsecured business loans, loan against property, personal loans and gold loan to MSME/SME segment. The company has reported a healthy growth while improving asset quality and profitability measures. Overall, AUM increased to Rs.83.73 Crore as on March 31st, 2021 (Rs.91.69 crore in 9MFY22) from Rs.65.01 Crore as on March 31st, 2020. In FY2021 The GNPA levels stood at 1.33% (1.79% in 9MFY22) and NNPA at 1.12% (1.31% in 9MFY22). MCFL has sustained Net Interest Margins (NIMs) of ~13.48 in FY21 and ~13.32% in FY20. The overall net interest income has increased to Rs.10.03 Crore in FY21 (FY20: Rs.7.97 Crore).

Adequate capitalization indicators:

MCFL is adequately capitalized with a gearing of 0.13x on a net worth of Rs.99.73 Crore as on March 31st, 2021 supported by timely capital infusion from the promoter and expansion in the loan book resulting in higher plough back of profits into reserves. The company has mainly relied on the promoter's equity to support its business growth over this period. The overall CAR stood comfortable at ~86.43% in as on March 31st, 2021 and ~92.50% as on March 31, 2020 and further overall CRAR as on 9MFY22 stood at 82.99%. Although, the current gearing level has increased marginally as compared to FY20, with the increase in incremental business being funded through fresh borrowings.

Key Rating Weaknesses

Geographic Concentration Risk



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MCFL operations are geographically concentrated as currently company is operating from the eight branches out of which six are in Maharashtra and two are based in Gujarat and it caters mainly to Maharashtra region. Around ~80% of the income is generated from the lending in the state of Maharashtra and rest from the Gujarat. Going forward, company plans to expand its business in Gujarat & Rajasthan.

Competitive nature of industry

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

Analytical Approach: Standalone

Applicable Criteria:

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

[Criteria on assigning rating Outlook](#)

Liquidity - Adequate

MCFL's overall liquidity profile remains adequate with no negative cumulative mismatches in the near to medium term as per the ALM ending December 31st, 2021. The average working capital utilisation all the fund based facility stands at an average of ~55% as on for the last ten months ended December 31, 2022 indication sufficient liquidity cushion. Furthermore, the company maintains adequate levels of cash balances amounting to Rs.0.48 Crore as on March 31, 2021.

About the Company

Mangal Credit and Fincorp Limited (MCFL) incorporated in 1961 earlier known as TAK Machineries & Leasing Ltd later in 2012 it was acquired and renamed as MCFL. MCFL is a public company, listed at Bombay Stock Exchange (BSE) and is registered with Reserve Bank of India (RBI) as Non Deposit Taking Company (NBFC) and non-systematically important



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company. MCFL engaged in the business of providing Business Loan, Loan against property, personal loan and gold loan to Individual, MSME, SME and for income generation activity. Currently company is operating from the eight branch out of which six are in Maharashtra and two are based in Gujarat.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	8.87	11.30
Interest	0.20	0.57
PAT	10.98	5.71
Total Debt	6.30	13.11
Tangible Networth	94.81	99.73
Total Loan Assets	65.01	83.73
Overall Gearing Ratio (x)	0.07	0.13
Gross NPA (%)	3.79	1.33
Net NPA (%)	3.00	1.12
CAR (%)	92.50	86.43

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

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	Date(s) & Rating(s) assigned in 2020-21 (Dated: March 08, 2021)	Date(s) & Rating(s) assigned in 2018-19
1.	Proposed Fund Based Facilities	Long Term	70.00	IVR BBB/ Stable	-	IVR BBB-/ Stable	-

Name and Contact Details of the Rating Analysts:-



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Name: Mr. Hardik Gala Tel: (022) 62396023 Email: hardik.gala@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Fund Based Facilities	-	-	-	70.00	IVR BBB/ Stable

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

Annexure 3: Facility wise lender details: Not Applicable

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



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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.