



Press Release

Megha Holdings Private Limited (MHPL)

November 22, 2024

Ratings

| Instrument/ Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | <u>Complexity Indicator</u> |
|--|--|---|--|--------------------------|--|
| Long term Bank Facilities | 13.69 (Reduced from 28.07) | IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook) | IVR BB/ Stable (IVR Double B with Stable outlook) | Upgraded | <u>Simple</u> |
| Long term Bank Facilities | 15.20 | IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook) | - | Assigned | <u>Simple</u> |
| Non- Convertible Debentures | 0.60 | IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook) | IVR BB/ Stable (IVR Double B with Stable outlook) | Upgraded | <u>Simple</u> |
| Long-Term Bank Facility (Proposed facility) | 20.51 | IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook) | - | Assigned | <u>Simple</u> |
| Total | Rs. 50.00 Rupees Fifty Crore only | | | | |

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

Infomerics Ratings has upgraded its ratings assigned to the bank facilities and Non-Convertible Debentures of MHPL reflects improving scale of operation healthy asset quality, and comfortable capitalization. However, ratings is partially constrained by geographical concentration risk and competitive nature of industry.

Infomerics Ratings expects outlook to remain stable with stable growth in AUM along with expected stable asset quality and comfortable capitalisation levels driven by periodic equity infusion by promoters.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in its loan portfolio, while maintaining healthy asset quality, strong capitalization, and profitability.

Downward Factors

- Substantial de-growth in AUM and/or decline in liquidity and capitalization
- Adverse movements in collection efficiency impacting asset quality of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improving Scale of operations**

The total operating income of MHPL has increased by 48.82% year-on-year to Rs. 15.88 crore in FY24 (period refers to 01st April 2023 to 31st March 2024), (FY23: Rs.10.67 crore) driven by the increase in loan disbursements. MHPL's AUM has increased to Rs. 94.18 crore (Off book AUM Rs. 29.06 crore) in FY24 from Rs. 76.37 crore (Off book AUM: Rs. 39.07) in FY23 to. However, the NIM has marginally declined though remained healthy and at 12.03% in FY24, (FY23:12.94%) due to higher cost of funds with higher borrowings. Total debt has increased to Rs.63.37 crore during FY24 (FY23:35.71 crore).

- **Healthy asset quality**

MHPL's asset quality remains healthy, with GNPA and NNPA remained below 1% in FY24 and FY23. This is due to secured lending in relatively safe vehicle financing and LAPs (Loan Against Property). These loans are 100% asset-backed, as the vehicles and properties pledged serve as security for the loans. During FY24, the company achieved an average collection efficiency of 90%.

- **Comfortable capitalization**



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The overall CRAR of MHPL stood comfortable at 36.15% as of March 31, 2024 (compared to 45.16% as of March 31, 2023), which is well above the regulatory requirement of 15% giving the company sufficient headroom to continue its growth path and expand its portfolio and branches further. Going forward ability to grow while maintaining the healthy CRAR levels would be a key monitorable. Promoters have infused an equity of Rs. 3.17 crore during FY24 and Rs.7.01 crore during FY25.

Key Rating Weaknesses

- **Geographical concentration risk**

MHPL's operations are concentrated in the state of Rajasthan, which exposes the company to significant geographical concentration risk. As of March 31, 2024, MHPL operates through 24 branches, all situated in Rajasthan. This single-state focus poses challenges in diversifying its operational base and mitigating risks associated with geographical dependence.

- **Competitive nature of industry**

MHPL is exposed to stiff competition from other varied other NBFCs and banks. The vehicle loan segment is experiencing increasing competition from banks and non-banking financial companies (NBFCs).

Analytical Approach: Standalone

Applicable Criteria:

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

[Criteria for assigning Rating outlook.](#)

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

[Policy on Default Recognition and Post-Default Curing Period](#)

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

Liquidity – Adequate



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Considering the scale of operations as on March 31, 2024 MHPL is well capitalized with CRAR of 36.15 %. Also, it has adequately matched asset liability profile as on 30.06.2024. MHPL's cash and cash equivalents stood at Rs. 10.49 crore as on March 31, 2024.

About the Company

Megha Holdings Private Limited was established in 1985 and registered as a Non-Banking Finance Company with the Reserve Bank of India on May 20, 1998. MHPL is engaged in the financing of new and used commercial vehicles, private/taxi cars, two-wheelers and loans against property. Currently, MHPL's operations are spread across the state of Rajasthan. The company is managed by its promoters and directors, Mr. Girdhari Lal Barala, Mr. Banshidhar Barala, and Mr. Kalu Ram Barala.

Financials (Standalone):

| For the year ended* / As on | (Rs. crore) | |
|-----------------------------|-------------|------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 10.67 | 15.88 |
| PAT | 0.86 | 1.24 |
| Tangible Net worth | 17.84 | 24.17 |
| Total loan Assets | 76.37 | 94.18 |
| Ratios | | |
| NIM (%) | 12.94 | 12.03 |
| ROTA (%) | 2.02 | 1.76 |
| Interest Coverage (times) | 1.29 | 1.25 |
| Total CRAR (%) | 45.16% | 36.15% |
| Gross NPA [Stage III] (%) | 0.92% | 0.84% |
| Net NPA [Stage III] (%) | 0.72% | 0.63% |

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years:



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| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|---|--------------------------------|--------------------------------|--------------------------|---|---|---|
| | | Type | 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 2021-22 |
| 1. | Long term Bank Facilities | Long Term | 13.69 | IVR BB+ / Stable Outlook | (September 26, 2023) IVR BB / Stable | - | - |
| 2. | Long term Bank Facilities | Long Term | 15.20 | IVR BB+ / Stable Outlook | - | - | - |
| 3. | Non-Convertible Debentures | Long Term | 0.60 | IVR BB+ / Stable Outlook | (September 26, 2023) IVR BB / Stable | - | - |
| 4. | Long-Term Bank Facility (Proposed facility) | Long Term | 20.51 | IVR BB+ / Stable Outlook | - | - | - |

Analytical Contacts:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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 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.



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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/Securitized | ISIN | Date of Issuance | Coupon Rate/IRR | Maturity Date | Listing Status | Size of Facility (Rs. Crore) | Rating Assigned/Outlook |
|---|--------------|-------------------|-----------------|-------------------|----------------|------------------------------|--------------------------|
| Long term Bank Facilities | - | - | - | - | - | 13.69 | IVR BB+ / Stable Outlook |
| Long term Bank Facilities | - | - | - | - | - | 15.20 | IVR BB+ / Stable Outlook |
| Non-Convertible Debentures | INE0R4S07010 | September 1, 2023 | 16% | September 1, 2025 | Unlisted | 0.60 | IVR BB+ / Stable Outlook |
| Long-Term Bank Facility (Proposed facility) | - | - | - | - | - | 20.51 | IVR BB+ / Stable Outlook |



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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MeghaHoldings-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

| Particulars | Non-Convertible Debentures of Rs.1.00 Crore |
|-------------------------------|---|
| ISIN | INE0R4S07010 |
| Issue Size | Rs. 1.00 Crore |
| Instrument type | 16% Secured Unrated Unlisted Redeemable Non-Convertible Debentures Date of Maturity 01/09/2025 |
| Category of Instrument | Plain Vanilla Debentures |
| Mode of placement | Private Placement (non-EBP) |
| Debenture Trustee | IDBI Trusteeship Services Limited |
| End Use / Purpose | To be used for onward lending only, for Vehicle and Secured MSME loans only. |
| Tenor | 24 months |
| Redemption Date | September 1,2025 |
| Coupon | 16.00% |
| Frequency of Interest Payment | Twelve times a year |
| Covenants | <p>General Conditions:</p> <ul style="list-style-type: none">• BTPL will perform due diligence at any time of the process of Megha Holdings which may include books of accounts, actual loan files, customers, etc.• At any time during the process, if BTPL finds the information provided to be inconsistent, the due diligence unsatisfactory, or for any other reason at the discretion of BTPL, this term sheet may be revoked / cancelled / modified• All costs related to the issue of secured NCDs is to be borne by Megha Holdings |



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| Particulars | Non-Convertible Debentures of Rs.1.00 Crore |
|-------------|---|
| | <ul style="list-style-type: none">• Prepayment charges will be applicable• EMI date will be the 1st of every month• After Sanction, in case Megha Holdings decides not to proceed with the facility, charges upto the cost of the afore mentioned fees will be payable by Megha Holdings to Berkeliem |

Annexure 4: List of companies considered for consolidated/Combined 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.