



Press Release

MS Fincap Private Limited (MSFPL)

October 04, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities (Proposed)	20.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Total	20.00 (Twenty Crore)		

*Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of MS Fincap Private Limited (MSFPL) derives strength from the experienced promoters, adequate capital adequacy and improvement in financial performance. The rating is however constrained by moderate asset quality, geographical concentration risk, competitive nature of industry.

Key Rating Sensitivities:

Upward Factor:

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

Experienced Promoters



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MSFPL commenced its lending operations from 2017. Its executive directors Mr. Mukund Modi & Mr. Shridhar Modi along with Mr. Prateek Gangwal (CFO) 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's networth stood at Rs. 28.13 Crore as on March 31, 2021 and reported adequate capital adequacy ratio (CAR) of 25.80 percent as on March 31, 2021 as against 22.28 percent as on March 31, 2020.

Improvement in financial performance

The company's loan assets have increased from Rs.98.52 crore as on March 31, 2020 to Rs.111.16 crore as on March 31, 2021. MSFPL posted a net profit of Rs.5.60 crore in FY21 on a total income of Rs.19.17 crore as against a profit of Rs.3.42 crore on a total income of Rs.15.68 crore in FY20. The ROTA was comfortable at 5.83% as on March 31, 2021. NIM improved marginally from 9.69% in FY20 to 11.16% in FY21.

Key Rating Weaknesses

Moderate Asset Quality

The Gross NPA and Net NPA stood at 3.88% and 2.36% respectively as on March 31, 2021 as against GNPA and NNPA of 3.24% and 1.78% respectively as on March 31, 2020.

Geographical Concentration Risk

MSFPL's operations are concentrated majorly in the state of Rajasthan. 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



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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

Applicable Criteria:

Rating Methodology for Non-Banking Finance companies

Financial Ratios & Interpretation (Financial Sector)

Liquidity - Adequate

The company is well capitalized with a CAR (%) of 25.80% as on March 31st, 2021. Also, it has adequately matched asset liability profile as on March 31st, 2021 with majority of the portfolio currently funded with equity and ICDs 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 it has now 6 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 85% of the total portfolio while the unsecured portfolio contributing 15%. In FY2021 company has started new product EdCred (Educational Loan).

Financials (Standalone)



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For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	15.68	19.17
PAT	3.42	5.60
Tangible Net Worth	22.58	28.13
Total Loan Assets	98.52	111.16
Total Debt	80.64	87.43
Total CAR (%)	22.28	25.80
Gross NPA (%)	3.24	3.88
Net NPA (%)	1.78	2.36

* Classification as per Infomerics' standards

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

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Proposed Term Loan	Long Term	15.00	IVR BBB-/ Stable	-	-	-
2.	Fund Based Facility – Proposed Cash Credit	Long Term	5.00	IVR BBB-/ Stable	-	-	-



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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
Fund Based Facility – Proposed Term Loan	-	-	-	15.00	IVR BBB-/Stable
Fund Based Facility – Proposed Cash Credit	-	-	-	5.00	IVR BBB-/Stable



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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/MSfincap-lenders-oct21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple

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.