

## Manba Finance Limited

July 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	280.08	CARE BBB+; Stable	Reaffirmed
Non-convertible debentures	50.00	CARE BBB+; Stable	Assigned
Non-convertible debentures	40.00	CARE BBB+; Stable	Reaffirmed
Non-convertible debentures	40.00	CARE BBB+; Stable	Reaffirmed
Non-convertible debentures	40.00	CARE BBB+; Stable	Reaffirmed
Non-convertible debentures	50.00	CARE BBB+; Stable	Reaffirmed
Non-convertible debentures	50.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to debt instruments and bank facilities of Manba Finance Limited (MFL) continue to factor in the management's experience in two-wheeler (2W) financing, comfortable capitalisation levels, and improving profitability parameters. However, ratings remain constrained by moderate asset quality, continued geographical and product concentration, and the company's moderate resource profile. The company's ability to further scale up the business and improve its profitability while maintaining healthy asset quality will remain a key monitorable.

CARE Ratings Limited (CARE Ratings) notes that the company has filed its draft red herring prospectus with SEBI on March 06, 2024, to raise ₹175 crore through an initial public offer (IPO). The IPO is a fresh issue. Net proceeds from the IPO are expected to be utilised for business expansion.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained scaling-up of the business with significant growth in the loan book of the company while also maintaining healthy asset quality and profitability.
- Material improvement in the liquidity profile of the company with less dependence on the cash credit lines and diversification in the resource profile.

#### Negative factors

- Continued deterioration in the gross non-performing assets (GNPA) beyond 4.5% on a sustained basis.
- Lack of significant scale-up in the loan book over the medium term.
- Weakness in the profitability and/or capitalisation profile, with assets under management (AUM) to tangible net worth (TNW) rising above 5x.

### Analytical approach:

CARE Ratings has analysed the standalone business profile of MFL.

### Outlook: Stable

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

The stable outlook reflects CARE Ratings' expectation of the continued operational and financial position and comfortable capitalisation levels.

## **Detailed description of key rating drivers:**

### **Key strengths**

#### **Strong experience in two-wheeler financing**

MFL has been in operating in the 2W financing segment since 1996, having a vintage of 27 years and having gained considerable experience in this segment. Currently, it has tie-ups with over 850 dealers, of which, approximately 250 are authorised dealers and remaining are multi-brand outlets (MBOs). The company expanded its presence in Maharashtra, Gujarat, Rajasthan, Chhattisgarh and Madhya Pradesh. It now has presence in five states across 64 locations. MFL has now also started steadily financing used 2W, Electric three-wheeler (3W) and small business loans, given its experience and knowledge in this industry. The company also offers top-up loans to its existing non-delinquent customers against the 2W financed.

#### **Improving scale of operations**

Post the impact of COVID-19, the company's AUM growth has been able to see some traction since FY23 and has been able to grow the AUM. In FY24, AUM stood at ₹937.06 crore compared to ₹629.79 crore in FY23 registering a growth of 48.78% y-o-y basis. With the expectation of 2W market sustaining the volume growth, the company is expected to maintain the growth in AUM due to vintage of the company in the 2W financing industry. The loan portfolio growing, supported by diversified funding resources, will be crucial going forward.

#### **Improving profitability parameters**

The company's profitability improved in FY24 with profit after taxes (PAT) of ₹31.18 crore on a total income of ₹191.63 crore as against the PAT of ₹15.22 crore on total income of ₹133.60 crore in FY23. Profitability improved in FY24 considering increased interest income, reduced opex as a percentage of total assets and supported from income recognised from investment in security receipts. As a result, return on total assets (ROTA) stood at 3.54% compared to 2.26% in FY23.

#### **Comfortable capitalisation and gearing levels**

The company continues to maintain healthy capitalisation levels. As on March 31, 2024, total capital adequacy ratio (CAR) stood at 29.24% (entirely comprising Tier-1 capital) as against 33.73% as on March 31, 2023. The current CAR level is comfortable as against the regulatory requirement of 15% indicating sufficient capital cushion for business growth and to absorb losses. There has been a capital infusion of ₹25 crore in FY24. The company's total debt stood at ₹752.27 crore as against ₹598 crore as on March 31, 2023. Consequently, gearing stood at similar level at 3.78x as on March 31, 2024 (3.63x as on March 31, 2023). CARE Ratings notes that the company will require to raise capital in the medium term to enable higher growth in AUM

### **Key weaknesses**

#### **Moderate asset quality metrics**

Asset quality of the loan book saw an impact in FY22 considering economic disruption in the country due to lockdowns amidst increasing COVID-19 infections, which impacted earnings and cashflows of customers. As on March 31, 2024, the GNPA stood at 3.95% in comparison to 3.74% in FY23. The company had written off ₹2.51 crore in FY24. Provisioning coverage ratio (PCR) on stage 3 assets remained 19.99% as on March 31, 2024. The company's ability to maintain asset quality, while expanding to newer locations or product segments, continue to be a key monitorable.

#### **Geographical and product segment concentration**

As on March 31, 2024, 95.95% of the portfolio was concentrated towards 2W financing. However, the company has launched new product lines this year but 2W segment will be their focus. The company has its presence across Maharashtra, Rajasthan,

Gujarat, Chhattisgarh and Madhya Pradesh. Number of locations increased from 55 in FY23 to 64 in FY24. Despite a decrease from 99% in FY19, the portfolio remains concentrated in Maharashtra, holding 69% of the total as of March 31, 2024. Gujarat follows with 19.21%. These two states account for 88.21% of the entire portfolio. Rajasthan holds 6.31%, Chhattisgarh 4.91%, and Madhya Pradesh 0.57%.

### Liquidity: Adequate

As on March 31, 2024, the company had a free cash and bank balance of ₹37.34 crore and unlien-marked fixed deposits (FDs) of ₹49.26 crore as against debt repayments of ₹130.17 crore for the next three months. The liquidity is also supported by inflows of ₹134.48 crore in the next three months. The company has unutilised overdraft (OD) and Cash Credit (CC) facilities of ₹6.17 crore.

### Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

### About the company and industry

#### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

MFL is a Mumbai-based Reserve Bank of India (RBI)-registered NBFC, engaged in 2W financing in Mumbai. MFL commenced operations in 1996 and its business is concentrated in Mumbai and its surrounding regions. It has tie ups with over 850 dealers. At present, the company's operations are spread across Maharashtra, Gujarat, Rajasthan, Chhattisgarh, and Madhya Pradesh with a total of 64 locations. The company's day-to-day operations are headed by Manish Shah, Promoter and Managing Director. MFL is wholly owned by Manish Shah, in his individual capacity, and through group companies and relatives.

#### Standalone Financials of MFL

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total income	107.02	134	191.63
PAT	9.43	15.22	31.18
Total Assets	568.17	787	972.23
Gross NPA (%)	4.94	3.74	3.95
ROTA (%)	1.73	2.26	3.29

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures (Proposed)	-	-	-	-	50.00	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	-	60.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07077	03-Aug-2023	12.6	03-Aug-2025	25.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07085	26-Sep-2023	12.60	26-Mar-2026	25.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07093	10-Oct-2023	12.60	10-Oct-2025	50.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07101	27-Dec-2023	12.60	27-Dec-2025	25.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07119	23-Feb-2024	13.25	28-Feb-2026	20.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07127	05-Mar-2024	12.60	05-Mar-2026	35.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X08034	17-May-2024	11.50	17-May-2026	10.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X08042	21-May-2024	11.00	23-May-2025	10.00	CARE BBB+; Stable
Non Convertible Debentures	INE939X07135	26-06-2024	11.75	26-06-2026	20.00	CARE BBB+; Stable
Term Loan-Long Term	-	-	-	25-03-2026	220.08	CARE BBB+; Stable

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	220.08	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
2	Fund-based - LT-Cash Credit	LT	60.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
3	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	-	-	1)Withdrawn (25-Mar-22)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)

5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (31-Oct-23) 2)CARE BBB+; Stable (25-Sep-23) 3)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
6	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	-	-
7	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23)	-	-
8	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23)	-	-

						3)CARE BBB+; Stable (25-Sep-23)		
9	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24)  2)CARE BBB+; Stable (31-Oct-23)	-	-
10	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (28-Feb-24)	-	-
11	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Stable				

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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### About us:

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