

Press Release

MAHAVEER FINANCE INDIA LIMITED



May 03, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) to the Rs. 100.00 crore bank facilities of MAHAVEER FINANCE INDIA LIMITED (MFIL). The outlook is '**Stable**'.

Chennai based, MFIL is registered with Reserve Bank of India (RBI) since 1981 as a deposit taking Non-Banking Finance Company. It began its operations in 1987, and has been engaged in financing of commercial vehicles since. In 2015, MFIL surrendered its deposit-taking license and also delisted itself from Madras Stock Exchange.

The company is promoted by Mr. Mahaveer Dugar and his sons, Mr. Praveen Dugar and Mr. Deepak Dugar. The shares of MFIL is held by promoter family group with 57.87 percent and private equity from Banyan Tree Growth Capital of 34.77 percent as on December 31, 2018. MFIL, currently, operates in 3 states and 1 union territory, namely Tamil Nadu, Andhra Pradesh, Telangana and Puducherry with 53 branches in 37 districts as on 31 December, 2018.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of MFIL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record in used commercial vehicle financing and experienced management:

Since the beginning of operations in 1987, MFIL has been able to established a track record of over three decades in the asset financing. The company is promoted by Mr. Mahaveer Dugar, Managing Director, who has over five decades of experience in financial sector. He is also President of Hindustan Chamber of Commerce, National Executive Committee Member in Federation of Indian Chambers of Commerce and Industry, and Director in Finance Industry Development Council (FIDC) Mumbai. The board is chaired by Mr. Chidambar Ganesan (Chairman). He is a retired Managing Director of LIC of India and has been on the boards of India Nippon Electricals Limited and Reliance Industries, among others.

The day to day operations are managed by Mr. Mahaveer Dugar's sons, Mr. Deepak Dugar and Mr. Praveen Dugar. Mr. Deepak Dugar, Joint Managing Director, has over two decades of experience in Asset Financing. He holds an MBA in finance and has been associated with MFIL since 1996. He has been instrumental in setting up of new branches, customer acquisition, credit appraisal, and setting up of the disbursal processes. Mr. Praveen Dugar is the Executive Director and carries around two decades of experience in the sector and has set up risk management, collection processes and lender relationships in MFIL.

The company operates across 37 districts in Tamil Nadu, Andhra Pradesh, Telangana and Puducherry. MFIL has 53 branches as on 31 December, 2018 as against 10 branches as on 31 March, 2017. The entity, over the years, has been able to increase its loan portfolio to Rs.196 crore as on December, 2018 as against Rs. 132 crore in FY2018, thereby registering a growth of ~48 per cent Y-o-Y.

Acuité believes that MFIL will continue to benefit from its established position and the promoters' experience in commercial vehicle financing.

Comfortable capitalisation and diversified resource profile:

MFIL's net worth stood at Rs.48.63 crore as on December 31, 2018 as against Rs.44.44 crore as on March 31, 2018 (includes Rs.25.00 crore compulsory convertible debentures) and Rs.14.67 crore as on March 31, 2017. This is mainly supported by equity infusion in FY2019, the company has raised additional equity capital of Rs.25.00 crore through private equity from Banyan Tree Growth Capital (the same stood as Compulsory convertible debentures as on March 31, 2018). The company's gearing stood at 3.27 times post the infusion of capital as on December, 2018. The company's capitalisation levels are adequate at Capital to Risk Assets Ratio (CRAR) of 29.10 percent as on December 31, 2018 as against 39.60 percent as on March 31, 2018 and 27.90 percent as on March 31, 2017. MFIL has been able to raise Tier-II capital (Subordinated Debt) in the form of Non-convertible debentures of Rs.10.00 crore from IMFR Fimpact. The company has also raised funds through pass-through certificate transactions of Rs. 20.00 crore with Development Co-operative Bank and Hinduja Leyland Finance Limited in March, 2019.

Weaknesses

Moderation in Collection Efficiency

MFIL's borrowers profile primarily comprise of small passenger vehicle operators, commercial vehicle operators and other small logistics players. The cash flows of these borrowers exhibit high fluctuations across periods depending on the level of economic activities in their area of operations, hence, the collections from such borrowers are usually lumpy. The on-time collection of MFIL declined to 72.24 percent as on December 31, 2018 as against 80.21 percent as on March 31, 2018; while PAR with 90+ days past due stood at 5.40 percent as on December 31, 2018 as against 3.02 percent as on March 31, 2018.

Acuité believes that maintaining collection efficiency and containing delinquencies will remain a key rating monitorable.

Moderate geographic concentration:

MFIL operations in Tamil Nadu accounted for ~ 74 percent of the overall loan portfolio as on March 31, 2018 as against 93 percent as on March 31, 2017. While, operations in Andhra Pradesh grew to 23 percent as on March 31, 2018 as against 4 percent as on March 31, 2017. Hence, MFIL is susceptible to portfolio/geographical concentration coupled with socio-political risk. Acuité believes that the moderate geographical concentration of its portfolio will continue to weigh on its credit profile over the near to medium term.

Liquidity Position:

MFIL has adequately matched cash flow as on December 31, 2018 with no cumulative mismatches in the near term. The company enjoys cash credit and term loan facilities from banks with longer tenures against loans which are due within 2 to 3 years.

Outlook: Stable

Acuité believes that MFIL will maintain a 'Stable' outlook over the medium term supported by its experienced management and comfortable capitalisation levels. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	138.73	78.70	54.09
Total Income (Net of Interest Expense)	Rs. Cr.	12.43	7.30	4.27
PAT	Rs. Cr.	4.77	2.25	1.38
Net Worth	Rs. Cr.	44.44	14.67	12.42
Return on Average Assets (RoAA)	(%)	4.39	3.40	3.23
Return on Average Net Worth (RoNW)	(%)	16.15	16.65	11.78
Total Debt/Tangible Net Worth (Gearing)	Times	2.06	4.23	3.27
Gross NPAs	(%)	2.11	2.97	0.92
Net NPAs	(%)	1.67	2.57	0.64

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years):

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	70.50	ACUITE BBB/Stable (Assigned)

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About Acuité Ratings & Research:

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