

Press Release

Metrocity Finance Private Limited

December 10, 2020



Rating Reaffirmed

Total Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 10.00 crore bank facilities of Metrocity Finance Private Limited (MFPL). The outlook is '**Stable**'.

The rating continues to reflect the experience of the management along with an established presence in the operating areas through other group companies. The strength is partially offset by modest scale of operations, geographic concentration and competition inherent to NBFC business.

About MFPL

Rajasthan-based, Metrocity Finance Private Limited (MFPL) was incorporated in 2015 by Mr. Vipul Setia (Managing Director). The company was initially engaged in the financing of passenger vehicles and has now shifted its focus towards Loan against property (LAP), wherein the target borrower base is to SMEs.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established presence in area of operation:

MFPL, commenced its lending operations in 2015, offering hypothecation against passenger vehicle and loan against property to SME sector. The company reduced its focus on hypothecation business to 22% as on Sep 30, 2020 from 88% as on Mar 31, 2020. The growth in AUM from Rs.9.14 Cr. as on Mar 31, 2018 to Rs.11.56 crore as on Sep 30, 2020 (Provisional) was mainly on account of loan against property product. BWDC caters to rural areas of Rajasthan with presence across 4 districts. MFPL is promoted by Mr. Vipul Setia (Director) and Saroj Setia (Director). The promoters are engaged in NBFC business since 1994 through other group entities. The promoters are well supported by managing committee includes, who have almost two decades of experience working with various NBFCs.

MFPL's return on average assets (ROAA) as on March 31, 2020 (Provisional) stood at ~3.12 percent vis. a vis. ~1.43 percent as on March 31, 2019.

Acuité believes that experience of the promoters and management will be central to support the business risk profile of the company.

Weaknesses

Geographic Concentration:

MFPL has a major presence in one district, i.e. Jaipur ~89 percent and remaining 11 percent in the other three districts. This exposes MFPL to high geographical concentration risk. Thus, business performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. The impact of Covid-19 may also impair the scalability of business operations, which has currently disrupted collections and disbursement processes for Q1FY2021. MFPL has experienced deterioration in asset quality in the past marked by Gross and Net Non-Performing Assets stood at 4.79% and 3.56% as on Mar 31, 2020 (Provisional) as against 3.13% and 2.50% as on Mar 31, 2019. Further, the collection efficiency has also shown improvement to in Q2FY2021. Acuité believes that going forward the ability of the company to scale up its operation while

maintaining the sound asset quality will be key rating sensitivity.

Liquidity Position: Adequate

MFPL's overall liquidity profile remains adequate in near to medium term. MFPL's borrowings stood at ~Rs. 7.58 Cr. with a gearing of ~1.64 times as on March 31, 2020 (Provisional). The borrowings of MFPL have an average maturity of 18 to 24 months against average lending tenure of ~18 to 24 months. The company has maintained cash and bank balance of ~Rs. 0.27 Cr. as on March 31, 2020 (Provisional). MFPL's collections stood at ~Rs.0.41 Cr. and Rs. 0.97 Cr. for the Q1FY2021 and Q2FY2021 respectively.

Rating Sensitivities

- Movement in collection efficiency
- Changes in regulatory environment
- Significant growth in loan book

Material Covenants

None

Outlook: Stable

Acuité believes that MFPL will maintain a 'Stable' outlook over the medium term supported by its established presence in the NBFC along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Total Assets	Rs. Cr.	12.52	12.05
Total Income (Net of Interest Expense)	Rs. Cr.	1.63	1.41
PAT	Rs. Cr.	0.38	0.16
Net Worth	Rs. Cr.	4.63	4.24
Return on Average Assets (RoAA)	(%)	3.12	1.43
Return on Average Net Worth (RoNW)	(%)	8.65	4.29
Total Debt/Tangible Net Worth (Gearing)	Times	1.64	1.78
Gross NPAs	(%)	4.79	3.13
Net NPAs	(%)	3.56	2.50

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Sep-2019	Cash Credit	Long Term	7.00	ACUITE BB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Assigned)

***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	2.00	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	9.85%	30-Oct-2026	5.00	ACUITE BB-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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