

Press Release

Metrocity Finance Private Limited

March 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

The reaffirmation of the rating takes into consideration 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, stretched liquidity and competition inherent to NBFC business.

About the company

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

Analytical Approach

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

Key Rating DriversStrength

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 deals in two product i.e LAP business and Hypothecation which stands at 63% and 37% respectively as on December 31, 2021. The growth in AUM from Rs.12.32 Cr. as on Mar 31, 2021 to Rs.12.46 crore as on December 31, 2021. MFPL caters to rural areas of Rajasthan with presence across 5 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, 2021 stood at ~2.81 percent vis. a vis. ~2.64 percent as on March 31, 2020. Acuité believes that experience of the promoters and management will be central to support the business risk profile of the company.

Weakness Geographical Concentration:

MFPL has a major presence in one district, i.e. Jaipur ~90 percent and remaining 10 percent in the other four 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. MFPL has experienced deterioration in asset quality in the past marked by Gross and Net Non-Performing Assets stood at 7.14% and 5.76% as on Mar 31, 2021 as against 4.79% and 3.56% as on Mar 31, 2020. As on December 31, 2021 the GNPA stood at 3.21% and NNPA stood at 2.49%. Further, the collection efficiency has also shown improvement in Q1FY2022. Acuité believes that going forward the ability of the company to scale up its operation while Acuité Ratings & Research Limited www.acuite.in maintaining the sound asset quality will be key rating sensitivity

Rating Sensitivity

- Growth in Loan portfolio
- Collection efficiency
- Scaling up operations

Material Covenants

None

Liquidity Position: Adequate

MFPL's overall liquidity profile remains adequate in near to medium term. MFPL's borrowings stood at ~Rs. 6.74 Cr. with a gearing of ~1.52 times as on March 31, 2021. 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. 0.04 Cr. as on March 31, 2021 MFPL's collections stood at ~Rs.1.58 Cr. and Rs. 2.11 Cr. for the Q2FY2022 and Q3FY2022 respectively.

Outlook: Stable

Acuité believes that Metrocity will maintain a 'Stable' outlook on account of its experienced management. The outlook may be revised to 'Positive' in case the company is able to scale up its operations and geographically diversify while maintaining their asset quality. Conversely, the outlook may be revised to 'Negative' in case of continued growth challenges or asset quality pressures.

Key Financials - Standalone / Originator

	Unit	FY21(Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	12.80	12.42
Total Income (Net of Interest Expense)	Rs. Cr.	1.45	1.62
PAT	Rs. Cr.	0.35	0.32
Net Worth	Rs. Cr.	4.92	4.56
Return on Average Assets (RoAA)	(%)	2.81	2.64
Return on Average Net Worth (RoNW)	(%)	7.47	7.34
Total Debt/Tangible Net Worth (Gearing)	Times	1.52	1.66
Gross NPAs	(%)	7.14	4.79
Net NPAs	(%)	5.76	3.56

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Dec 2020	Term Loan	Long Term	5.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
18 Sep 2019	Proposed Cash Credit	Long Term	3.00	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
<p>Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 mohit.jain@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>
<p>Shashank Sinha Management Trainee-Rating Operations Tel: 022-49294065 shashank.sinha@acuite.in</p>	

About Acuité Ratings & Research

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