



Press Release
Metrocity Finance Private Limited
June 02, 2023
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	-	-

Rating Rationale

Acuite 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**'.

Rationale for the rating

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, average collection efficiency 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). Mr. Setia has over a decade of experience in asset financing through family owned NBFCs like SK Finance Limited and Setia Auto Finance. The company is engaged in commercial vehicles financing and Loan against property (LAP), wherein the target borrower base is SMEs.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced Management and established presence in area of operation:

MFPL, commenced its lending operations in 2015, offering hypothecation against commercial vehicle and loan against property to SME sector. The company deals in two product i.e LAP business and Hypothecation which stands at 27% and 73% respectively as on March 31, 2023. MFPL saw growth in AUM from Rs.13.35 Cr. as on Mar 31, 2022 to Rs.25.12 crore as on March 31, 2023. MFPL caters to rural areas of Rajasthan with presence across 7 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, who have almost two decades of experience working with various NBFCs. MFPL's return on average assets (ROAA) as on March 31, 2023 stood at ~2.97 percent vis. a vis. ~3.79 percent as on March 31, 2022. Acuite believes that experience of the promoters and management will be central to support the business risk profile of the company.

Modest AUM with improving asset quality.

The company's loan portfolio outstanding grew to Rs. 25.12 Cr as on March 31, 2023 as

compared to Rs. 13.35 Cr as on March 31, 2022. The company reported on time portfolio of 71.10% as on FY23 as compared to 46.89% in previous year. Metrocity Finance had a GNPA and NNPA of 1.55 percent and 1.27 percent respectively in FY23 as compared to 2.70 percent and 2.32 percent in FY22 and 7.1 percent and 5.76 percent in FY21. The company follows DPD count of 180 days + for classification of NPA.

Weakness

Geographical Concentration:

MFPL has a major presence in one district, i.e. Jaipur ~95 percent and remaining 5 percent in the other Seven 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.

Low collection efficiency

The company demonstrated low collection efficiency of 38.82 percent on the overall portfolio as on Mar'23. Collection efficiency for the March'23 dues was 88.35 percent and for the Jun'22 due was 79.63 percent. The Six Month average for overall collection efficiency stood at 36.09 percent and the six month average for current month dues collection efficiency stood at ~88 percent. The company has shown month on month improvement in over all collections and monthly due collections in the past 10 months, their enhancement in collections will be a key rating driver for the company.

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. 18.54 Cr. with a gearing of ~2.83 times as on March 31, 2023. The borrowings of MFPL have an average maturity of ~18 to 48 months against average lending tenure of ~18 to 36 months. The company has maintained cash and bank balance of ~Rs. 0.05 Cr. as on March 31, 2023.

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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	26.20	14.62	12.80
Total Income*	Rs. Cr.	2.44	1.90	1.45

PAT	Rs. Cr.	0.61	0.52	0.35
Net Worth	Rs. Cr.	6.55	5.95	4.92
Return on Average Assets				

(RoAA)	(%)	2.97	3.79	2.81
Return on Average Net Worth (RoNW)	(%)	9.69	9.57	7.47
Total Debt/Tangible Net worth (Geraing)	Times	2.83	1.39	1.52
Gross NPA	(%)	1.55%	2.70%	7.14%
Net NPA	(%)	1.27%	2.32%	5.76%

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

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2022	Proposed Bank Facility	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.37	ACUITE BB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	26 Sep 2022	10.15	01 Dec 2026	Simple	5.63	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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