



Press Release
Metrocity Finance Private Limited
October 01, 2024
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Total Withdrawn Quantum (Rs.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

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.

Unsupported Rating

Not Applicable

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 15% and 85% respectively as on March 31, 2024. MFPL saw growth in AUM from Rs.25.12 Cr. as on

Mar 31, 2023 to Rs.38.35 crore as on March 31, 2024. 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, 2024 stood at ~2.73 percent vis. a vis. ~2.97 percent as on March 31, 2023. Acuité 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. 38.35 Cr. as on March 31, 2024 as compared to Rs. 25.12 Cr. as on March 31, 2023. The company reported on time portfolio of 65.17% as on FY24 as compared to 71.10% in previous year. Metrocity Finance had a GNPA and NNPA of 2.15 percent and 1.83 percent respectively in FY24 as compared to 1.55 percent and 1.27 percent in FY23 and 2.70 percent and 2.32 percent in FY22.

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 moderate collection efficiency of 72.91 percent on the overall portfolio as on Mar'24. The Six Month average for overall collection efficiency stood at 70.05 percent and the six month average for current month dues collection efficiency stood at ~88.89 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

Liquidity Position

Adequate

MFPL's overall liquidity profile remains adequate in near to medium term. MFPL's borrowings stood at ~Rs. 26.10 Cr. with a gearing of ~3.10 times as on March 31, 2024. 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. 0.16 Cr. as on March 31, 2024.

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	FY24 (Actual)	FY23(Actual)
Total Assets	Rs. Cr.	36.11	23.99
Total Income*	Rs. Cr.	3.43	2.42
PAT	Rs. Cr.	0.82	0.58
Net Worth	Rs. Cr.	8.42	6.52
Return on Average Assets (RoAA)	(%)	2.73	2.98
Return on Average Net Worth (RoNW)	(%)	10.98	9.22
Debt/Equity	Times	3.10	2.49

*Total income equals to Net Interest Income plus other income

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

Not Applicable

Any other information

None

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, Acuité 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
30 Aug 2024	Term Loan	Long Term	8.62	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.38	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
02 Jun 2023	Proposed Long Term Bank Facility	Long Term	4.37	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	5.63	ACUITE BB- Stable (Reaffirmed)
04 Mar 2022	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Term Loan	31 Aug 2023	Not avl. / Not appl.	01 Aug 2027	8.62	Simple	ACUITE BB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	29 Sep 2022	Not avl. / Not appl.	01 Dec 2026	1.38	Simple	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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