



Press Release
Mpokket Financial Services Private Limited
July 31, 2023
Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB- Reaffirmed & Withdrawn	-
Non Convertible Debentures (NCD)	100.00	ACUITE BBB- Positive Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.100.00 Cr. proposed non convertible debentures of Mpokket Financial Services Private Limited (MFSPL). The outlook remains '**Positive**'.

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.15.00 Cr. bank loan facilities of Mpokket Financial Services Private Limited (MFSPL). The withdrawal is on account of NOC received from the banker and client's request, in accordance with Acuite's policy on withdrawal.

The rating takes into account the healthy capital position, comfortable leverage marked by gearing of 0.84 times as on March 31, 2023 and improvement in profitability and AUM aided by healthy disbursements at consolidated level. The CAR of MFSPL stood at 26.49 percent at the end of March 31, 2023. While the financing arm of the group, MFSPL, commenced operations in 2021, Maybright Ventures Private Limited (MVPL) has been originating loans through the group's technology platform 'Mpokket' since 2016. The platform's active customer base stood at 18.11 lac borrowers as on March 31, 2023. This coupled with disbursements of ~ Rs.3819.3 Cr. in FY2023 has resulted in MVPL achieving profitability of ~ Rs.117.99 Cr. with an AUM size of ~Rs.714.28 Cr. as on March 31, 2023.

The rating is however constrained by MVPL's nascent scale of operations modest resource profile, limited track record of the financing arm and an unsecured loan book with comparatively smaller ticket size and low tenure. The digital platform of the group is only used by MFSPL (subsidiary). At platform level, delinquencies in 90 dpd+ as a percentage of AUM made till March, 2023 stood at 2.62%. Further, while the key business functions are largely automated, there is fair degree of manual intervention in user onboarding and collection processes which Acuite understands shall continue to be strengthened. Going forward, the Group's ability to improve its resource pool and sustain its growth in profitability & sustainably scale up its portfolio (i.e MFSPL's portfolio) while maintaining robustness of its technology platform/ security given the evolving nature of fintech model are key monitorable.

**FY2023 financial numbers are provisional*

About the Company

Kolkata based MPocket Financial Services Private Limited (MFSPL) is RBI registered NBFC and whollyowned subsidiary of Maybright Ventures Private Limited (MVPL). The company is engaged in providing small ticket, short tenure, instant unsecured personal loans to college

students, recent graduates, and young salaried professionals. The company commenced its operations in March 2021 and has leveraged the digital platform (owned by MVPL) to scale up its presence across India with outstanding number of loans and portfolio of 67.17 lacs and Rs.714.28 Cr. respectively as on March 31, 2023.

About the Group

Kolkata based MVPL is holding company of MFSPL. It commenced its operations in 2016 and owns and operates "Mpocket app", through which loans are originated by MFSPL. MVPL is promoted by Mr. Gaurav Jalan who is also part of the board of MVPL and MFSPL. 'Mpocket app', presently caters to college students, recent graduates and young salaried professionals. The platform has an active customer base of 18.11 lac borrowers as on March 31, 2023 and loans of approximately ~ Rs.3819.3 Cr. have been originated through this platform in FY23.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of Maybright Ventures Private Limited (MVPL) to arrive at this rating. This approach is in view of capital, operational, technological and managerial support from the parent entity, MVPL besides interlinkages between MVPL ('Mpocket' platform) and MFSPL.

Key Rating Drivers

Strength

Comfortable capital position

MVPL's consolidated capital position is comfortable marked by networth of Rs.386.08 Cr. as on March 31, 2023. The networth at the end of FY22 stood at Rs. 265.11 Cr. MVPL has raised about Rs.79.4 Cr. of capital since inception from various sources viz. the promoter, high networth individuals, stock options and a venture capital firm. Of the total capital raised, Rs.47.0 Cr. has been infused since March 2020 by a US-based venture capital firm, Lotus Microfinance LLC whose managing partner, Mr. Abhishek Agarwal is on the board of MVPL and MFSPL in the capacity of shareholder representative. In addition to capital infusion, the growth in networth is also supported by healthy internal accruals as the Group achieved breakeven in three years of commencing operations. At consolidated level, MVPL has outstanding debt of Rs.324.65 Cr. as on March 31, 2023 comprising of optionally convertible debentures issued to high networth individuals and ICDs and bank/NBFC borrowings. Consequently, gearing is comfortable at 0.84 times as on March 31, 2023 as against 0.58 times as on March 2022.

Acuité expects capitalisation to remain comfortable over the medium term, supported by internal accruals and regular capital infusion.

Improved Profitability and Growth in Disbursements

MVPL commenced its operations in 2016 and turned profitable in 3 years of commencing operations with surplus of Rs.117.99 Cr. for FY2023. The PAT for FY22 stood at Rs.107.85 Cr which improved from Rs. 20.55 Cr. for FY21. The ROAA stood healthy at 18.72%. MVPL facilitates lending through 'Mpocket app'. This profitability has been primarily driven by healthy disbursements of approximately Rs.3819.28 Cr. in FY2023 made through the platform. The disbursements for FY22 stood at Rs. 1904.55 Cr. Acuité notes that Kolkata based lender partner NBFC, Jalan Chemicals Industries Private Limited (JCIPL) has stopped lending through the platform from FY23. Of the total disbursements in FY22, disbursements of about Rs.371.27 Cr. were made by JCIPL. The improvement in disbursements have aided in the growth of the AUM of

MF SPL, which stood at Rs. 714.28 Cr at the end of March 31, 2023. The AUM for FY22 stood at Rs. 388.42 Cr which improved from Rs. 257.76 Cr in FY21.

Acuité notes that the Group continues to further strengthen systems and believes that the profitability trajectory hinges on the ability of the Group to manage credit costs and reduce operating expenses as it scales up the operations.

Weakness

Nascent stage of operations and asset quality a monitorable

MVPL commenced operations in 2016 in Kolkata and over the last five fiscals, diversified to 36 states and union territories through its branchless business model. The board of MVPL comprises five members, of whom two are part of the BoD MF SPL (subsidiary), including the promoter, Mr. Gaurav Jalan who is involved in daily operations of both the companies and another is a shareholder representative. The digital platform, 'Mpocket app' has a vintage of nearly six years, it presently has only MF SPL (subsidiary) as lending partner. MF SPL commenced its operations in FY21. At platform level, delinquencies in 90dpd+ as a percentage of AUM stood at 2.6% as on March 31, 2023. The company does writeoff at 120+ DPD from FY23. During FY22 writeoffs were made at 90+ DPD. The company made a writeoff of Rs. 232.72 Cr. in FY23 and recovered Rs.28.11 Cr. The write off stood at Rs.46.13 Cr. in FY22.

Acuité believes that the ability of MVPL to significantly grow its portfolio (i.e MF SPL) and contain asset quality risks coupled with scaling its operations will be a key monitorable.

Modest resource profile

MVPL (consolidated) has outstanding debt of Rs.324.65 Cr. as on March 31, 2023 comprising of optionally convertible debentures issued to high networth individuals and ICDs and bank/NBFC borrowings. MF SPL currently relies on its parent entity, MVPL and JCIPL for funding in the form ICDs which stood at Rs.396.72 Cr. as on March 31, 2023. The company has an outstanding of ~Rs. 140 Cr. from various bank/NBFCs, which they raised in FY2023.

MF SPL's ability to diversify its resources profile and access funding at competitive rates will be a key monitorable.

Evolving nature of fintech business model

Given that the digital lending particularly in B2C segment is evolving and the Group is still in the early stage of operations, it is yet to be seen how it achieves scalability and sustained profitability. Though MVPL has demonstrated track record of profitability in 3 years of commencing operations, the ability of to scale its operations given the competitive intensity in fintech space will be a monitorable.

Technology and regulatory risks

Given that innovative technology is the backbone of fintech business model, the company is exposed to technology risks encompassing data security, privacy and technology failure. Since MVPL's key business functions like data storage, disbursements and collections are largely automated, any breach shall expose the company to cyber events and liabilities arising thereon. Acuite notes that the company has fully complied with the digital lending norms by RBI. Still, the company is exposed to evolving regulatory developments given that the fintech business model is at nascent stage.

ESG Factors Relevant for Rating

MF SPL belongs to the NBFC sector which continues to complement the efforts of banks in enhancing small ticket retail lending in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The entity has the necessary grievance redressal policies set up. The board of directors consist of 3 directors. MF SPL provides personal loan, salary advance loan and online purchase loans with a focus on the young working class of India. MF SPL aims at making credit highly accessible to the salaried

and self-employed segment through adoption of technology.

Rating Sensitivity

- Significant and sustained scale up in portfolio
- Movement in liquidity, earnings profile and asset quality metrics
- Changes in resource profile
- Changes in Regulatory environment

Material Covenants

Not Applicable

Liquidity Position

Adequate

MF SPL reported adequate liquidity position with cash and cash equivalents at Rs.37.56 Cr. as on March 31, 2023 with debt financing from parent entity and JCIPL with repayment on demand basis. Additionally, liquidity is supported by availability of funding from MVPL as and when required. MVPL (consolidated) reported cash and cash equivalents of ~ Rs.40 Cr. as on March 31, 2023.

Outlook : Positive

Acuité believes that MVPL will maintain 'Positive' outlook over the near to medium term on account of healthy disbursements, profitability and support from marquee investors. The rating may be upgraded in case MVPL demonstrates significant and sustainable growth in its scale of operations while mitigating asset quality risks in portfolio and improving its resource profile. Conversely, the outlook may be revised to 'Stable' in case of any challenges in scaling up operations or in case of any sharp deterioration in asset quality and profitability levels.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY2023 (Prov.)	FY2022
Total Assets	Rs. Cr.	779.27	433.18
Total Income (Net of Interest Expense)	Rs. Cr.	386.45	146.44
PAT	Rs. Cr.	45.78	43.68
Net Worth	Rs. Cr.	186.89	101.26
Return on Average Assets (RoAA)	(%)	7.55	20.02
Return on Average Net Worth (RoNW)	(%)	31.77	83.66
Total Debt/Tangible Net Worth (Gearing)	Times	2.87	3.06
Gross NPAs	(%)	-	-
Net NPAs	(%)	-	-

Key Financials (Consolidated)

Particulars	Unit	FY2023 (Prov.)	FY2022
Total Assets	Rs. Cr.	796.21	464.53
Total Income (Net of Interest Expense)	Rs. Cr.	578.85	330.67
PAT	Rs. Cr.	117.99	107.85
Net Worth	Rs. Cr.	386.08	265.11
Return on Average Assets (RoAA)	(%)	18.72	33.89
Return on Average Net Worth (RoNW)	(%)	36.24	52.37
Total Debt/Tangible Net Worth (Gearing)	Times	0.84	0.58
Gross NPAs	(%)	-	-
Net NPAs	(%)	-	-

Ratios as per Acuite calculations

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

None

Any Other Information

None

Applicable Criteria

Application Of Financial Ratios And Adjustments:

<https://www.acuite.in/viewratingcriteria53.htm>Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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**

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
22 Mar 2023	Working Capital Demand Loan	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
	Working Capital Demand Loan	Long Term	5.00	ACUITE BBB- Positive (Assigned)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE BBB- Positive (Reaffirmed)
15 Feb 2023	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE BBB- Positive (Assigned)
	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
25 Jan 2023	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Positive (Reaffirmed)
28 Oct 2021	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)

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 Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE BBB- Positive Reaffirmed
RBL Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	15.00	ACUITE BBB- Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Maybright Ventures Private Limited
2. Mpokket Financial Services Private Limited

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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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