

Press Release

Moneyboxx Finance Limited

October 18, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Reaffirmed	-
Non Convertible Debentures (NCD)	20.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	120.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 20.00 Cr. proposed non-convertible debentures of MoneyBoxx Finance Limited (MFL). The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 100.00 Cr. bank facilities (including proposed facilities) of MoneyBoxx Finance Limited (MFL). The outlook is '**Stable**'.

The rating takes into account the extensive experience of the management in financial services industry and capital raising ability that has helped the company to reach an AUM of Rs. 132.25 Cr. as on June 30, 2022. It has further aided in establishing robust underwriting standards as marked by GNPA of 0.62 percent as on March 31, 2022 (0.21 percent as on March 31, 2021). The rating also factors in the adequate capitalization reflected by CAR levels of 43.76 percent coupled with MFL's network of Rs. 53.28 Cr. as on June 30, 2022.

These strengths are however partially offset by a moderate earnings profile. The company's profitability remained subdued with losses of Rs. 3.72 Cr. in FY22, losses of Rs. 2.97 Cr. in FY21. In Q1FY23, the loss stood at Rs. 1.60 Cr. These losses are on account of the high operating expenses pertaining to increase in network of branches.

Acuite believes that the company's ability to timely infuse capital and profitably scale up its portfolio while maintaining healthy asset quality would be a key rating monitorable.

About the company

MoneyBoxx Finance Limited (MFL) is a BSE Listed NBFC providing small ticket loans to micro and small enterprises. It commenced its operations in February 2019 and is promoted by Mr Deepak Aggarwal and Mr Mayur Modi. As on August 31, 2022, it operates in 5 states, i.e., Rajasthan, Haryana, Madhya Pradesh, Punjab and Uttar Pradesh through its branch network of 39 branches. The company is registered with RBI as Non-systematically Important NBFC engaged in lending and allied activities. The entity focuses on small ticket unsecured business loans to individual borrowers and has also started extending secured business loans since Q1FY23. As on June 30, 2022, MFL has 393 employees and 12,975 active borrowers with

cumulative disbursements of Rs. ~270 Cr. till August, 2022.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced management

MFL commenced its lending operations in February 2019. MFL is engaged in providing small ticket unsecured business loans to individual borrowers i.e. Livestock, Kirana, Retail Traders, micro manufacturers in Tier III cities and below with loans ranging from Rs 50,000 to 3,00,000 and average tenure of 24 months. The secured business loans, started since Q1FY23 have a ticket size of upto Rs. 7,00,000 and tenure upto 5 years. The company has geographical presence in the states of Rajasthan, Madhya Pradesh, Haryana, Punjab and Uttar Pradesh with its network of 39 branches as on August 31, 2022 and outstanding portfolio of Rs. 132.25 Cr as on June 30, 2022.

MFL is promoted by Mr Deepak Aggarwal and Mr Mayur Modi, having two decades of experience in financial service industry. Mr. Deepak Aggarwal was a Founder Director of Avancer Capital Partners Private Limited, a boutique investment bank. He had been associated with Bank of America, KPMG, GE Capital, Infosys and Evalueserve in equity and credit risk analysis. Mr Mayur Modi has around two decades of experience in financial service industry across developed and emerging markets. He had been associated with GE Capital, JP Morgan and HSBC. The Board is ably supported by experienced management team with adequate and relevant experience in their respective fields. The board includes members like Mr. Uma Shankar Paliwal (Chairman and Independent Director), ex-executive director of RBI and independent director on multiple NBFCs, and Ms. Ratna Vishwanathan (Independent Director), ex-IAS Officer from CAG, ex-CEO of MFIN and currently heading India operations of a global NGO.

Acuité believes that established presence of the promoters in the microfinance segment will be central to support the business risk profile of the company in the near to medium term.

Sound asset quality; strong underwriting standards

MFL's overall loan portfolio stood at Rs. 120.99 Cr. as on March 31, 2022 (Rs. 63.27 Cr as on March 31, 2021, Rs 29.93 Cr as on March 31, 2020), the company has managed to maintain comfortable asset quality as reflected in on-time portfolio at 98.69 percent as on March 31, 2022 (99.35 percent as on March 31, 2021). The collection efficiency for current month due stood at 96.76 percent for August 2022. In spite of disruption in economic activity due to COVID, the company reported negligible GNPA, which stood at 0.62 percent as on Mar 31, 2022 as against 0.21 percent as on March 31, 2021 and Nil in FY2020. The 90+dpd as on June 30, 2022 stood at 0.69 percent on an AUM of Rs. 132.25 Cr. The exposure to Livestock stood at 69.34 percent of the total portfolio as on June 30, 2022, since most livestock borrowers have more than one source of income, which provides additional stability to income, thereby mitigating credit risks for MFL to a certain extent.

Acuité believes that the ability of the company to demonstrate growth in its loan assets while maintain healthy asset quality will be crucial to the credit profile of the company.

Comfortable capital structure and resource raising ability

The company's net worth stood at Rs 53.28 Cr. as on June 30, 2022 (Rs. 34.51 Cr. as on March 31, 2022; Rs. 24.15 Cr. as on March 31, 2021). The increase in networth was supported by equity infusions of Rs. 20.77 Cr. during Q1FY23 and Rs. 14.42 Cr. during FY2022. MFL's capital position is adequate as reflected in the capital adequacy which stood at 43.76 percent as on June 30, 2022. The company had an outstanding debt of Rs. 112.05 Cr. as on June 30, 2022, translating to gearing ratio of 2.10 times (2.87 times as on March 31, 2022). MFL has demonstrated ability to raise funds from Banks and Financial Institutions. The company raised debt to the tune of Rs ~100 Cr (including securitization transactions) during FY2022.

Acuité believes that the company's comfortable capitalization levels and the ability to raise funds will support its growth plans over the medium term.

Weakness

Moderate earnings profile

MFL started its operations in February 2019. The company has demonstrated growth in scale of operations with an outstanding loan portfolio of Rs. 132.25 Cr as on June 30, 2022 (Rs. 63.27 Cr. as on March 31, 2021). The company expanded its branch network from 22 branches as on March, 2021 to 39 branches as on August, 2022. While the company has scaled up its loan portfolio steadily over the years from Rs 0.17 crore in FY19, the company reported losses of Rs.

3.72 Cr. in FY22 (Rs. 2.97 Cr. in FY21) on account of high operating expenses incurred as a result of branch expansion. Operating Expense to Earning Assets (Opex) stood at 17.98 percent as on March 31, 2021 as against 21.88 percent as on March 31, 2020. However, it reduced to 14.56 percent as on March 31, 2022. The company reported a healthy Net Interest Margin (NIM) of 12.50 percent in FY22. However, the NIM saw a reduction on account of increased leverage for scaling up the loan portfolio.

Acuité believes, the ability of MFL to increase operational efficiencies as it continues to scale up its lending portfolio will be key monitorable.

ESG Factors Relevant for Rating

Moneyboxx Finance Limited (MFL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India. Some of the material governance issues for the sector are policies and practices with regards 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, sustainable financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. MFL is primarily engaged in extending credit towards SME loans which supports financial inclusion by financing of smaller businesses. MFL's board comprises of a total of six directors out of which two are independent directors and includes one female director. The company maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder relationship committee. MFL also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances and whistle blower policy. In terms of social impact, the company has demonstrated its commitment through its goals of rural empowerment, gender inclusion, and improving the country's livestock capital.

Rating Sensitivity

- Movement in asset quality and collection efficiency
- Movement in profitability metrics
- Movement in disbursement levels and growth in AUM
- Timely infusion of capital

Material Covenants

MFL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

The company's liquidity position is supported by cash and cash equivalents of Rs 26.42 Cr. as on June 30, 2022. MFL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated June 30, 2022. The company's collection efficiency for scheduled demand for the month of June 2022 stood healthy at 97.56 percent.

Outlook: Stable

Acuite believes that MFL will maintain a 'Stable' outlook over the medium term supported by its experienced management along with demonstrated ability to maintain asset quality and

liquidity levels. The outlook may be revised to 'Positive' in case of significant growth in scale of operations and profitability while maintaining asset quality and capitalization levels. 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 and profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	136.98	72.19
Total Income*	Rs. Cr.	12.43	7.36
PAT	Rs. Cr.	-3.72	-2.97
Net Worth	Rs. Cr.	34.51	24.15
Return on Average Assets (RoAA)	(%)	-3.56	-5.07
Return on Average Net Worth (RoNW)	(%)	-12.68	-11.60
Debt/Equity	Times	2.87	1.86
Gross NPA	(%)	0.62	0.22
Net NPA	(%)	0.31	0.11

*Total income equals to Net Interest Income plus other income.

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

Not available

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.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
16 Sep 2022	Term Loan	Long Term	7.29	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	83.19	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.02	ACUITE BBB- 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	83.19	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.50	ACUITE BBB- Stable Reaffirmed
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	7.29	ACUITE BBB- Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	9.02	ACUITE BBB- 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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