



**Press Release**  
**Moneyboxx Finance Limited**  
**October 18, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	100.00	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive	-
<b>Non Convertible Debentures (NCD)</b>	20.00	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	120.00	-	-

**Rating Rationale**

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

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 revised from '**Stable**' to '**Positive**'.

**Rationale for the rating:**

The revision in outlook factors in the improvement in the business performance as reflected by an AUM of Rs. 380 Cr. as on June 30, 2023 from Rs. 132.25 Cr. as on June 30, 2022 demonstrating a YoY growth of 187 percent and expected improvement in profitability metrics. The rating continues to factor in the extensive experience of the management in financial services industry and capital raising ability. It has further aided in establishing robust underwriting standards as reflected by GNPA (on book) of 0.83 percent as on March 31, 2023 (0.62 percent as on March 31, 2022). As on June 30, 2023, the GNPA (on book) stood at 1.05 percent. The rating also factors in the adequate capitalization marked by CAR levels of 29.67 percent coupled with MFL's networth of Rs. 78.2 Cr. as on June 30, 2023. The company has raised equity capital of Rs. 48.39 Cr. including Rs. 3.36 Cr. worth of share warrants from promoters and the balance from non-promoter investors. Further, the company has additional capital raising plans of Rs. 10.09 Cr. by Q4FY24 which will support the current growth plans.

These strengths are however partially offset by a moderate earnings profile and risks associated with lending in unsecured segment. The company's profitability remained subdued with losses of Rs. 6.80 Cr. in FY23 (loss of Rs. 3.72 Cr. in FY22). These losses are on account of the high operating expenses incurred as a result of expansion. MFL added 31 branches in FY23 (P.Y: 8 branches). Nevertheless, through achieving scale and controlling credit costs, the company has been able to report quarterly profits since Q4FY23. Acuite believes that the ability of company to mobilise low-cost funds through debt; timely raising equity capital and sustaining the profitability will remain 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 2023, it operates in 6 states, i.e., Rajasthan, Haryana, Madhya Pradesh, Punjab, Uttar Pradesh and Chhattisgarh through its

branch network of 77 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.

## **Standalone (Unsupported) Rating**

None

## **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, Uttar Pradesh and Chhattisgarh with its network of 77 branches as on August 31, 2023 and outstanding portfolio of Rs. 380.00 Cr. as on June 30, 2023. (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. 338 Cr. as on March 31, 2023 (Rs. 121 Cr. as on March 31, 2022, Rs. 63 Cr. as on March 31, 2021). The portfolio further grew to Rs. 380 Cr. as on June 30, 2023. The company has managed to maintain a sound asset quality as reflected in on-time portfolio at 98.74 percent as on March 31, 2023 (98.69 percent as on March 31, 2022). The collection efficiency for current month due stood at 97.63 percent for Jun-23. The Gross NPA (on-book) as on June 30, 2023 stood at 1.05 percent with a Net NPA of 0.52 percent. The exposure to Livestock stood at 66.10 percent of the total portfolio as on June 30, 2023, 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 increased to Rs. 78.2 Cr. as on June 30, 2023 from 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. 48.39 Cr. during FY23 and Rs. 14.42 Cr. during FY2022. MFL's capital position is adequate as reflected in the capital adequacy which stood at 29.67 percent as on June 30, 2023. The company had an outstanding debt of Rs. 240.62 Cr. as on March 31, 2023, translating to gearing ratio of 3.15 times (2.87 times as on March 31, 2022). MFL has demonstrated ability to raise funds from

Banks and Financial Institutions. The company raised cumulative debt of over Rs. 500 Cr. since inception and has established relationships with 29 lenders including 8 banks. 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. 380 Cr. as on June 30, 2023 (Rs. 132.25 Cr. as on June 30, 2022). The company's profitability remained subdued with losses of Rs. 6.80 Cr. in FY23 (loss of Rs. 3.72 Cr. in FY22). These losses are on account of the high operating expenses incurred as a result of expansion. MFL added 31 branches in FY23 (P.Y: 8 branches). Nevertheless, through achieving scale and controlling credit costs, the company has been able to achieve quarterly profits since Q4FY23. Operating Expense to Earning Assets (Opex) improved slightly from 14.56 percent for FY22 to 14.28 percent for FY23. The company reported a healthy Net Interest Margin (NIM) of 14.78 percent in FY23 from 12.50 percent for FY22. 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

### **All 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 and investments totalling Rs. 66.96 Cr. as on Aug 2023. MFL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2023. The company's collection efficiency for scheduled demand for the month of June 2023 stood healthy at 97.63 percent.

### **Outlook: Positive**

Acuité believes that MFL's credit profile will benefit from the extensive experience of the management and capital support which would further aid in the current growth momentum. The rating could be upgraded if the company is able to demonstrate improvement in its financial risk profile while maintaining asset quality metrics. Conversely, the outlook may be revised to 'Stable' in case the company faces higher than expected asset quality pressures, any challenges in scaling up operations or any deterioration in profitability parameters.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	325.23	136.98
Total Income*	Rs. Cr.	28.59	12.43
PAT	Rs. Cr.	-6.80	-3.72
Net Worth	Rs. Cr.	76.40	34.51
Return on Average Assets (RoAA)	(%)	-2.94	-3.56
Return on Average Net Worth (RoNW)	(%)	-12.27	-12.68
Debt/Equity	Times	3.15	2.87
Gross NPA (Own book)	(%)	0.83	0.62
Net NPA (Own book)	(%)	0.42	0.31

\*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>
- 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

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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Oct 2022	Term Loan	Long Term	0.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	7.29	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	9.02	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	83.19	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	15.00	ACUITE BBB-   Stable (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE296Q07019	Non-Convertible Debentures (NCD)	21 Oct 2022	14.75	07 Mar 2025	Simple	20.00	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	83.19	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.50	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.29	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.02	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive

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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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