

Press Release

Mufin Green Finance Limited (Erstwhile Apm Finvest Limited)

November 11, 2022

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-------------------|
| Bank Loan Ratings | 100.00 | ACUITE BBB Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 100.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 100.00 Cr. on the bank facilities of Mufin Green Finance Limited (MGF). The outlook is '**Stable**'.

Rationale for the rating assigned

The rating takes into account rich experience of management in E- Vehicle financing, cumulatively the group has financed ~18700 vehicle and done disbursement of over ~Rs 200 Cr. toward E-vehicles since 2016. The disbursement levels have shown significant traction, accordingly the AUM levels have increased to Rs. 125.46 Cr. as on September 30, 2022, from Rs. 48.39 Cr. as on March 31, 2022.

The rating further takes into account healthy capitalization levels and comfortable asset quality. Capital Adequacy Ratio (CAR) of the company stood at 117.99 percent as on June 30, 2022 and owing to the robust risk management policy and an agile collection structure GNPA stood comfortable at 1.53% as on September 30, 2022. MGF reported moderate earnings profile with Net Interest Income of Rs. 3.54 Cr. for FY2022 (Rs. 2.83 Cr. For FY 2021) and profit after tax (PAT) of Rs.10.88 Cr. for FY2022 (Rs.19.87 Cr. for FY2021) which was majorly driven by investment income which stood at Rs. 11.56 for FY2022 and Rs. 19.63 Cr. for FY 2021.

The rating strengths are partially offset by modest scale of operations considering that the company scaled up its portfolio mainly in first half of FY2023, niche segment of business and geographical concentration as the company is currently having a major portfolio in 2 to 3 states. Going forward, MGF's ability to raise capital, demonstrate sustainable growth in its scale of operations while maintaining adequate asset quality and profitability metrics.

About the company

Mufin Green Finance Limited is the Non-Banking Financial Company Non-Deposit Taking (NBFC-ND) registered with Reserve Bank of India. The Company was incorporated on 13th May, 2016 in state of Rajasthan. Mufin Green Finance was acquired by Hindon Mercantile Limited in March 2022. The company is now a part of the Mufin group. The group has been extending loans toward E- vehicles since 2016 and the portfolio of E-vehicles was later transferred to the taken over company Mufin Green Finance. The company is engaged in financing overall electric vehicle ecosystem comprising of all kinds of vehicles running on battery and charging infrastructure. The objective of the company is to enhance the electric vehicle ecosystem of India.

Analytical Approach

Acuité has taken a standalone view on the business and financial risk profile of Mufin Green Finance Limited.

Key Rating Drivers

Strength

Support from Promoters and Investor

Mufin Green Finance Limited (MGF) is a Delhi based Non-Deposit Non-Bank Finance Company (NDNBFC) engaged in providing vehicle loan and loans used towards developing infrastructure for E-vehicles. Mufin Green Finance is a part of Mufin group. The group has been extending loans toward E- vehicles since 2016 and the portfolio of E-vehicles was later transferred to the taken over company Mufin Green Finance. Mr. Kapil Garg, co- promoter and MD of MGF has experience of more than 15 years in Legal, Bank

Audits, Compliance and Consultancy. The promoter of MGF has an experience of providing financing to E- Vehicles and its infrastructure since 2016. The Mufin group since inception has financed ~18,700 E-vehicles. Hindon Mercantile Limited (HML) owned 57.83% stake as of September 2022. The promoters are assisted by professional management team including Mr. Pankaj Gupta, Chief Executive Officer, possessing around 2 decades of experience of working with organisation like Naukri.com, Tech Mahindra's Saral Rozgar and Saera Electric Auto (Mayuri Erickshaw)

Comfortable Capitalization Levels and resource raising ability:

The company has a comfortable capitalization marked by a networth of Rs.150 Cr. and a net debt of Rs. 30 Cr. as on September 30, 2022. MGF received a capital infusion of Rs. 45 Cr. in the month of September from an equity fund named Incofin India. The company is in talk with banks and FI for raising more funds. The company's Overall CRAR has remained healthy at 114.67 percent as on September 30, 2022 as compared to 117.99 percent as on June 30, 2022. This is mainly on account of capital infusion in September 2022. CRAR consists entirely of Tier 1 capital.

Improvement in AUM:

Total AUM of Mufin Green Finance stood at Rs. 125.46 Cr as on September 30, 2022, as against Rs. 48.39 Cr as on March 31, 2022 and Rs. 19 Cr as on March 31, 2021. This improvement in AUM was on account of improvement in disbursements which stood at Rs. 89.22 Cr. as on H1FY2023 and Rs. 112.55 Cr. in FY2022 as against Rs. 12.10 Cr. in FY 2021. The major disbursement were seen in the E-rickaws segment.

Weakness

Limited track record of operations coupled with limited seasoning of newly disbursed portfolio and geographical concentration:

MGF commenced its lending operations with vehicle loans and gradually diversified its product offerings to infrastructure financing for E-vehicles. MGF caters to over 11,660 customers across 9 states via OEM and dealer network in India. The company has expanded its branch base to 2 branch dealing with a client base in 9 states as on September 30, 2022, as against 1 state since its inception. The AUM stood at ~Rs.125 Cr. as on September 30, 2022 (Rs.48 Cr. as of March 2022), of which vehicle loans comprised ~95% followed by loans towards infrastructure for E- Vehicles at ~1%, and business & personal loan at ~4%. The AUM grew significantly in FY2022 and H1FY2023 mainly on account of E-vehicle loan disbursements (~93% of the total disbursements of Rs.87.70 Cr. during H1FY2023). Though these loans are offered for short tenor ranging 18-24 months, disbursements of these loans in FY2022 were made largely in the second half of FY2022 indicating limited seasoning of the newly disbursed AUM. As on September 30, 2022, the company's AUM is majorly concentrated in Uttar Pradesh (49.05%) followed by Haryana (15.76%), Bihar (15.22%), and rest 19.97% of AUM is covered in remaining states, namely, Uttarakhand, Madhya Pradesh and Rajasthan. Thus, the company's 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. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of MGF.

Acuité believes that the ability of the company to maintain sustainable growth of portfolio while managing its asset quality through business cycles will be key monitorable.

Moderate Earning Profile; albeit improving:

The company reported a PAT of Rs. 10.88 Cr. as on March 31, 2022, which has declined from Rs. 19.87 Cr. as on March 31, 2021. As on June 30, 2022, the company reported a PAT of Rs. 1.15 Cr. The operating income comprised of income from investments which stood at Rs. 19.63 Cr. in FY2021 and Rs. 10.53 Cr. in FY 2022. However, the company's net interest income improved from Rs. 2.83 Cr. as on March 31, 2021, to Rs. 3.54 Cr. as on March 31, 2022.

ESG Factors Relevant for Rating

Mufin Green Finance Limited (MGL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India.

Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behavior. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry.

The company's board comprises of a total of six directors out of which four are independent directors and one female directors. MGL maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. MGL also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the group, if relevant. In terms of its social impact, MGL is actively engaged in community development programmes through its CSR committee. For better servicing of its customers, the entity has disseminated a step-by-step guide for loan appraisal, the document requirements and its services and charges.

Rating Sensitivity

- Movement in asset quality
- Movement in Collection Efficiency
- Movement in profitability metrics
- Growth in AUM

Material Covenants

None

Liquidity Position

Adequate

MGL's liquidity profile as on March 31, 2022 is well matched with no negative cumulative mismatches across time buckets. The company reported cash and cash equivalents of Rs.9.23 Cr. as on March 31, 2022.

Outlook: Stable

Acuité believes that the MGL will maintain a 'Stable' outlook over the medium term supported by future capital infusions and expansion process. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while improving its profitability, asset quality and capitalization indicators. Conversely, the outlook may be revised to 'Negative' in case of challenges in attaining optimal capital support or significantly higher than expected pressure on asset quality or profitability margins.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY22 (Actual) | FY21 (Actual) |
|--|------------|------------------|------------------|
| Total Assets | Rs. Cr. | 102.90 | 92.71 |
| Total Income* | Rs. Cr. | 15.12 | 22.48 |
| PAT | Rs. Cr. | 10.88 | 19.87 |
| Net Worth | Rs. Cr. | 101.61 | 90.72 |
| Return on Average Assets (RoAA) | (%) | 11.13 | 22.81 |
| Return on Average Net Worth (RoNW) | (%) | 11.32 | 24.60 |
| Total Debt/Tangible Net worth (Geraing) | Times | 0.00 | 0.002 |
| Gross NPA | (%) | - | - |
| Net NPA | (%) | - | - |

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/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.

Rating History:

Not Applicable

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 | 85.54 | ACUITE BBB Stable Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 14.46 | ACUITE BBB Stable Assigned |

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About Acuité Ratings & Research

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