



Press Release

Mangal Credit & Fincorp Limited (MCFL)

March 08, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Proposed Long Term Bank Facilities	20.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Total	20.00 (Twenty Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the Mangal Credit & Fincorp Limited (MCFL) derives comfort from its Experienced promoters, Comfortable Capital Adequacy Ratio and Comfortable capital structure. However, these rating strengths are partially offset by Geographic concentration risk and Competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while maintaining the asset quality indicators, adequate capital position and profitability.

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

MCFL commenced its lending operations 2012, after taking over the business from its previous management. Its Chairman & managing director, Mr. Meghraj Jain along with Mr.



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Naval Maniyar (Director & CFO) have extensive experience in the financial services industry which supports the business profile of the Company. Also, on its board are other experienced professionals who maintain strong oversight on the business, which has helped the Company in placing prudent lending practices with stringent credit assessment and monitoring.

Comfortable capital structure

MCFL's capital structure remains comfortable marked by low gearing ratio of 0.07x as on March 31, 2020 and 0.02x on March 31, 2019 as the company did not had any bank borrowings till FY20. Going forward company is planning to borrow funds from the bank to expand its existing business.

Comfortable Capital Adequacy Ratio:

MCFL's capital adequacy ratio (CAR) remained healthy at 92.50% as on March 31, 2020 and 94.98% as on March 31, 2019, as against the regulatory requirement of 15%. The Networth of the company stood at Rs.94.81 crore as on March 31, 2020.

Key Rating Weaknesses

Geographic Concentration Risk

MCFL operations are geographically concentrated as currently company is operating from the single branch based in Mumbai and it caters mainly to Maharashtra region around 80% of the income is generated from the lending in the state of Maharashtra and rest from the Rajasthan. Going forward, company plans to expand its business in Gujarat and Rajasthan.

Competitive nature of industry

MCFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around small ticket loans is highly fragmented with unorganized lenders also vying



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for the same set of borrowers. However, MCFL's professional management and focused approach towards commercial vehicle lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

Liquidity is marked adequate by the balanced ALM profile for the short term with sufficient inflows as against its negligible repayment obligations largely because of its short term lending type of loans as against short term working capital availed. Apart from it, the Company maintains cash and cash equivalents of about INR1.77 Crore as on March 31st, 2020.

About the Company

Mangal Credit and Fincorp Limited (MCFL) incorporated in 1961 and it was established in 2012 after acquiring TAK Machineries & Leasing Ltd. MCFL is a public company, listed at Bombay Stock Exchange (BSE) and is registered with Reserve Bank of India (RBI) as Non-Deposit Taking Company (NBFC) and classified as asset finance company. MCFL engaged in the business of providing Gold loan, Business Loan, Personal loan to retail customers. Currently company is operating from the single branch based in Mumbai and its major customers are based in Maharashtra.



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Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	8.89	8.87
Interest Expense	0.86	0.20
PAT	6.01	10.98
Total Debt	1.99	6.30
Tangible Net Worth	85.00	94.81
Total Loan Asset	54.60	65.01
Overall Gearing Ratio (x)	0.02	0.07
Total CAR (%)	94.98	92.50
Gross NPA (%)	1.13	3.79
Net NPA (%)	0.97	3.00

Status of non-cooperation with previous CRA: N/A

Any other information: N/A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Term Loan	Long Term	20.00	IVR BBB-/ Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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Name and Contact Details of the Rating Analyst:

Name: Hardik Gala	Name: Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: Hardik.gala@infomerics.com	Email: Prakash.kabra@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Proposed Term Loan	-	-	-	20.00	IVR BBB-/Stable