Manba Finance Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	400.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	50.00	CARE BBB+; Positive	Assigned
Non-convertible debentures	50.00	CARE BBB+; Positive	Assigned
Non-convertible debentures	40.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	40.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	40.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	50.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	50.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	50.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to debt instruments and bank facilities of Manba Finance Limited (MFL) continue to factor in the management's experience in two-wheeler (2W) financing, comfortable capitalisation levels, improving scale of operations, and profitability parameters. However, ratings remain constrained by moderate asset quality and continued geographical and product concentration, albeit improving. The company's ability to further scale up the business and improve its profitability while maintaining healthy asset quality will remain a key monitorable.

CARE Ratings Limited (CARE Ratings) notes that MFL successfully completed an Initial Public Offering (IPO) of 12,570,000 shares, raising ₹150.84 crore. The company was listed on the NSE and BSE on September 30, 2024. Net proceeds from the IPO are to be utilised for business expansion.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Sustained scaling-up of the business with significant growth in the asset under management (AUM) of the company while also maintaining healthy asset quality and profitability metrics.

Negative factors: **Factors that could individually or collectively lead to negative rating action/downgrade:**

- Continued deterioration in the gross non-performing assets (GNPA/GS3) beyond 4.5% on a sustained basis.
- Lack of significant scale-up in the loan book over the medium term.
- Increase in leverage above 4x on a sustained basis.
- Proportion of secured lending dropping below 90% of AUM.
- Deterioration in profitability metrics with return on total assets (ROTA) going below 1.5% on a sustained basis.

Analytical approach: Standalone

CARE Ratings has analysed the standalone business profile of Manba Finance Limited.

Outlook: Positive

The positive outlook considers expected growth in scale of operations while maintaining comfortable credit cost and profitability metrics along with the company's ability to secure funds at competitive rates.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong experience in two-wheeler financing
MFL has been a key player in the two-wheeler financing segment since 1996, with 28 years of experience. The company has established partnerships with over 1100 dealers, including over 60 electric vehicle (EV) dealers and operates across 71 locations in six states— Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Uttar Pradesh, and Madhya Pradesh. MFL's asset under management (AUM) witnessed growth of 47.88% in FY24.

CARE Ratings believes that promoters' experience and their connects in the market, and ability to raise capital should help MFL in scaling up its portfolio, going forward.

Improving scale of operations along with adequate profitability metrics
MFL remains heavily reliant on the two-wheeler (2W) segment, which constitutes a significant portion of its portfolio. As on September 30, 2024, AUM reached ₹1,106.86 crore in H1FY25, compared to ₹937.08 crore in FY24 and ₹633.69 crore in FY23, reflecting robust growth of 47.88% in FY24 against 27.80% in FY23. The portfolio is composed of 87.07% from the 2W segment, with the remainder comprising used vehicles, electric three-wheelers (3W), small business loans, and top up personal loans to non-delinquent customers. Loan disbursements in FY24 stood at ₹655.63 crore, up from ₹455.45 crore in FY23, achieving ~44% growth. Disbursements continued to grow with MFL disbursing ~₹344.80 crore in H1FY25. The nascent Small Business Loan (SBL) portfolio is projected to scale up to ₹40.50 crore by FY25, with its performance being a key monitorable.
With sustained volume growth in the two-wheeler market, MFL is well-positioned to maintain its AUM expansion, leveraging its strong expertise in two-wheeler financing. Continued portfolio growth, supported by diversified funding sources, will remain critical to the company's growth trajectory.

The company reported a ROTA of 3.58% as on March 31, 2024, compared to 2.47% as on March 31, 2023. This improvement was primarily driven by significant unrealised gains of ₹11.25 crore from fair value changes on asset sales to ARC. During this period, net interest margins (NIM), operating expenses, and credit costs remained stable. As on September 30, 2024, the annualised ROTA moderated to 3.01% due to an increase in asset base from IPO funding and absence of non-recurring unrealised gains from ARC sales supported by reduced credit costs and lower operating expenses.

CARE Ratings will continue to monitor MFL's ability to significantly scale up the portfolio amidst increasing competition, and its ability to manage credit costs, operating expenses, and profitability metrics.

Adequate resource profile
MFL has an adequate borrowing profile comprising term loans (55.95%), non-convertible debentures (NCDs – 24.25%), cash credit (4.56%), and securitisation (15.25%). The company had 37 lenders as on September 30, 2024, encompassing non-banking financial companies (NBFCs), public sector banks, private banks, small finance banks, and debt funds. CARE Ratings observes, operating in the secured segment and with capital raised through its IPO, the company is expected to maintain steady access to credit from lenders.

Going forward, the company's ability to raise resources at competitive rates and increase stable funding from domestic banking and other lenders continues to be a key rating monitorable.

Comfortable capitalisation levels
The company maintains a comfortable capital position, with a capital adequacy ratio (CAR) of 25.17% as on March 31, 2024, well above the regulatory requirement of 15%, ensuring ample capital for growth and loss absorption. Total debt increased to ₹752.27 crore as on March 31, 2024, compared to ₹595.93 crore the previous year, with gearing remaining stable at 3.78x (3.59x as on March 31, 2023). In September 2024, the company raised ₹150.84 crore through an Initial Public Offering (IPO) of 1.26 crore shares. This capital infusion reduced the gearing to 2.50x and improved the CAR to 37.15%, further strengthening its capital buffer providing room for future growth. CARE Ratings expects the company to maintain gearing below 4x on a sustained basis.

Key weaknesses

Moderate asset quality metrics
GNPA (on-book) slightly improved to 3.64% as on September 30, 2024 compared to 3.95% as on March 31, 2024, and 3.74% as on March 31, 2023. The net stressed assets (including investment in SR and principal value outstanding of repossessed vehicles)

as a percentage of net advances stood at 8.31% as on September 30, 2024 against 8.49% in FY24. However, considering the past trends of recovery from sale of repossessed vehicles, the net stressed assets (including investment in SR and 10% estimated loss on sale of repossessed vehicles) as a percentage of net advances stood at 6.09% as on September 30, 2024, against 6.81% in FY24. Loans amounting to ₹21.02 crore were sold to ARC, out of which ₹6.65 crore has been recovered till date. The company's ability to recover/monetise the investments in security receipts will remain a key monitorable.

The provisioning coverage ratio (PCR) on stage 3 assets was 21.98% for H1FY25, slightly higher than 19.99% for FY24 and 16% for FY23. The company continues its recovery efforts, achieving an average current collection efficiency of 90% and an average collection efficiency including overdues of 98% in the last 12 months (September 2023 to September 2024).

CARE Ratings believes that MFL's asset quality shall continue to remain anchored on the income profile of the underlying borrowers as majority are self-employed borrowers and their cash flows remain vulnerable to economic shocks. However, the company's asset quality and profitability could still be impacted by credit costs in weaker economic cycles, hence remains to be a key rating sensitivity going forward.

Geographical and product segment concentration

The company has made progress in diversifying its product portfolio, as evidenced by the reduction in the share of two-wheeler loans, which now represent 87.07% of the total loan portfolio as of September 30, 2024, down from 95.30% on March 31, 2023. This shift is a result of the company's strategic expansion into additional loan products, such as electric vehicle (EV) three-wheeler financing, personal loans, small business loans, and used two-wheeler loans. Despite this diversification, the two-wheeler segment remains the company's primary focus.

The company operates across Maharashtra, Rajasthan, Gujarat, Chhattisgarh, Uttar Pradesh, and Madhya Pradesh. Its network expanded from 55 locations in FY23 to 64 in FY24 and further to 71 in H1FY25. The portfolio continues to remain concentrated in Maharashtra, representing 71.87% of the loan book as on September 30, 2024, down from 99% in FY19. Gujarat accounts for 13.94%, bringing the combined share of these two states to 85.81%. The remaining portfolio is distributed across Rajasthan (7.11%), Chhattisgarh (5.96%), Madhya Pradesh (1.01%), and Uttar Pradesh (0.11%).

The 2W loan industry faces several risks that can impact lenders and borrowers alike, since MFL serves underserved geographies and vulnerable customers, where economic fluctuations and income instability can lead to higher default rates. Resale value of 2Ws can depreciate quickly, affecting collateral value for lenders. Regulatory changes and market competition also pose risks, as they can influence interest rates and loan terms. The company's ability to maintain asset quality while expanding into newer locations/ product segments continue to be a key monitorable.

Liquidity: Adequate

Manba Finance Limited (MFL) has no negative cumulative mismatches across all the time buckets. As on September 30, 2024, MFL had cash and cash equivalents and liquid investments of ₹241 crore and advances of ₹308 crore against contractual debt obligations of only ₹293 crore for the next six months. CARE Ratings believes that the cash and expected inflows from advances are adequate for meeting the company's expected outflows.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry

Financial services	Financial services	Finance	Non banking financial company (NBFC)

Manba Finance Ltd. (MFL), a Mumbai-based Reserve Bank of India (RBI)-registered NBFC, specialises in two-wheeler (2W) financing and was listed on NSE and BSE on September 30, 2024. It also offers three-wheeler loans, small business loans, personal loans, and is expanding into EV financing. Established in 1996, MFL operates primarily in Mumbai and nearby regions, partnering with over 1,100 dealers, including 60+ EV dealers as on September 30, 2024. The company has a presence in 71 locations across six states—Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Uttar Pradesh, and Chhattisgarh

MFL – Standalone Financials

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total income	133.32	191.63	113.65
PAT	16.58	31.42	16.82
Adjusted total assets*	784.98	972.23	1261.43
Net NPA# (%)	3.14	3.16	2.84
ROTA (%)	2.47	3.58	3.01^

A: Audited UA: Unaudited; Note: these are latest available financial results
^Ratio is annualised
*Adjusted total assets: Total assets adjusted for deferred tax assets and intangible assets
#Calculated on the loan book

Status of non-cooperation with previous CRA:
None

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE939X08042	21-May-2024	11.00	23-May-2025	10.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X08034	17-May-2024	11.50	17-May-2026	10.00	CARE BBB+; Positive

Debentures-Non-convertible debentures	INE939X07119	23-Feb-2024	13.25	28-Feb-2026	20.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07093	10-Oct-2023	12.60	10-Oct-2025	50.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07085	26-Sep-2023	12.60	26-Mar-2026	25.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07101	27-Dec-2023	12.60	27-Dec-2025	25.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07127	05-Mar-2024	12.60	05-Mar-2026	35.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07135	26-Jun-2024	11.75%	26-Jun-2026	20.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07077	03-Aug-2023	12.6	03-Aug-2025	25.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07143	31-Jul-2024	11.75	31-Jul-2026	20.00	CARE BBB+; Positive
Debentures-Non-convertible debentures	INE939X07150	28-Aug-2024	11.75	28-Aug-2026	30.00	CARE BBB+; Positive
Debentures-Non-convertible debentures (proposed)	-	-	-	-	100.00	CARE BBB+; Positive
Fund-based - LT-Cash credit	-	-	-	-	50.50	CARE BBB+; Positive
Fund-based - LT-Cash credit (Proposed)	-	-	-	-	24.50	CARE BBB+; Positive
Term loan-Long term	-	-	-	24-Sep-2027	254.19	CARE BBB+; Positive
Term loan-Long term (Proposed)	-	-	-	-	70.81	CARE BBB+; Positive

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	325.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
2	Fund-based - LT-Cash Credit	LT	75.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
3	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	-	-	1)Withdrawn (25-Mar-22)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)

5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (31-Oct-23) 2)CARE BBB+; Stable (25-Sep-23) 3)CARE BBB+; Stable (28-Jul-23)	1)CARE BBB+; Stable (10-Mar-23)	1)CARE BBB+; Negative (25-Mar-22)
6	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23) 4)CARE BBB+; Stable (28-Jul-23)	-	-
7	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23) 3)CARE BBB+; Stable (25-Sep-23)	-	-
8	Debentures-Non Convertible Debentures	LT	40.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23)	-	-

						3)CARE BBB+; Stable (25-Sep-23)		
9	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24) 2)CARE BBB+; Stable (31-Oct-23)	-	-
10	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	1)CARE BBB+; Stable (28-Feb-24)	-	-
11	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Positive	1)CARE BBB+; Stable (29-Jul-24)	-	-	-
12	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Positive				
13	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Positive				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Cash credit	Simple
3	Term loan-Long term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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