



Press Release
MUFIN GREEN FINANCE LIMITED (ERSTWHILE APM FINVEST LTD)
August 10, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB Stable Reaffirmed	-
BOND	100.00	ACUITE BBB Stable Assigned	-
Non Convertible Debentures (NCD)	60.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	260.00	-	-

Rating Rationale

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

Acuite has assigned its long term rating of **'ACUITE BBB' (read as ACUITE triple B)** to the Rs 60 Cr Non Convertible Debentures(NCD) of Mufin Green Finance Limited (MGFL). The outlook is **'Stable'**.

Acuite has reaffirmed the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** to the Rs 100 Cr Bank Loan facilities of Mufin Green Finance Limited (MGFL). The outlook is **'Stable'**

Rationale for the rating

The rating reaffirmation factors rich experience of management in E- Vehicle financing, cumulatively the group has financed ~18,700 E-vehicles and disbursed of over ~Rs 200 Cr. since 2016. The disbursement levels have shown significant traction, accordingly the AUM levels have increased to Rs. 261.61 Cr. as on Mar 31, 2023, from Rs. 48.39 Cr. as on March 31, 2022. The rating also considers healthy capitalization levels where Capital Adequacy Ratio (CAR) of the company stood at 54.1 percent as on March 31, 2023. The rating strengths are partially offset by moderate asset quality and modest scale of operations. The company scaled up its portfolio mainly in first half of FY2023 indicating low seasoning. Further, the asset quality witnessed a slight deterioration as marked by decline in on time portfolio which stood at 65 percent as on March 31, 2023. Also, the portfolio remained geographically concentrated in Uttar Pradesh and Delhi having a collective exposure of over 60 percent as on March 31, 2023. Going forward, MGFL's ability to raise capital, demonstrate sustainable growth in its scale of operations while maintaining asset quality and profitability metrics will remain a key monitorable.

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

Acuite 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 (MGFL) is a Delhi based Non-Deposit Non-Bank Finance Company (NDNBFC) engaged in providing vehicle loans and loans used towards developing infrastructure for E-vehicles. Mufin Green Finance is a part of Mufin group, which has been extending loans toward E- vehicles since 2016, the portfolio of E-vehicles was subsequently transferred to Mufin Green Finance. The Mufin group since inception has financed ~18,700 E-vehicles. The Hindon Mercantile Limited (HML) owned 57.83% stake in MGFL as of June 2023. Mr. Kapil Garg, co- promoter and MD of MGFL has experience of more than 15 years in Legal, Bank Audits, Compliance and Consultancy. 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).

Acuité believes that company's growth prospects will be supported by the promoter's experience in this industry

Comfortable Capitalization Levels and resource raising ability:

The company has a comfortable capitalization marked by a networth of Rs.153.68 Cr. and a net debt of Rs. 225.99 Cr. as on March 2023. MGFL received a capital infusion of Rs. 45 Cr. in the month of September 22 from an equity fund named Incofin India. The company is in advance stages of discussions with various banks and FI for raising more funds. The company's Overall CRAR has remained healthy at 54.1 percent as on Mar 31, 2023.

Improvement in AUM

MGFL extends loan towards e-vehicles and its infrastrucutre with average ticket size ranging between 1.5 lakhs to 3.5 lakhs with average tenure from 18 to 36 months. Total AUM of Mufin Green Finance stood at Rs. 261.61 Cr as on March 31, 2023, 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. 273.45 as on FY2023 and Rs. 112.55 Cr. in FY2022 as against Rs. 12.10 Cr. in FY 2021.

Weakness

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

MGFL commenced its lending operations with vehicle loans and gradually diversified its product offerings to infrastructure financing for E-vehicles. MGFL caters to over 21,643 customers across 10 states via OEM and dealer network in India. The AUM stood at ~Rs.261.61 Cr. as on March 31, 2023 (Rs.48 Cr. as of March 2022), of which vehicle loans comprised ~87% followed by loans towards infrastructure for E- Vehicles at ~6%, and business & personal loan at ~7%. The AUM grew significantly in FY2022 and FY2023 mainly on account of E-vehicle loan disbursements (~66% of the total disbursements during FY2023). Though these loans are offered for short tenor ranging 18-24 months, disbursements of these loans were made largely in the second half of FY2022 and FY2023 indicating limited seasoning of the newly disbursed AUM. As on March 31, 2023, the company's AUM is majorly concentrated in Uttar Pradesh (33.73%) followed by Delhi (30.87 %), Bihar (14.52%), and rest 20.9% 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, 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 MGFL.

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:

MGFL's Net interest Income stood at Rs. 29.67 Cr in FY23 as compared to Rs. 3.54 Cr in FY22 and a PAT of Rs. 8.12 Cr. for FY2023 which has in turn declined from Rs. 10.9 Cr. in FY2022. The decline in PAT is on the account of increased operating and credit costs for the year. The Opex as a percentage of earning assets increased from 4.01 in FY22 to 5.97 in FY23. The increase in operating expense is also on account of elevated staff expenses due to senior level recruitment in FY23. Acuite believes that the company's ability to achieve operational efficiencies while scaling up the portfolio would be a key rating monitorable.

Moderate asset quality

The portfolio increased in FY23 on account of uptick in disbursements which picked up since FY22. Majority of the portfolio remains newly originated indicating the low seasoning. MGFL's asset quality had witnessed deterioration with GNPA and NNPA of 2.61 percent and 1.99 percent as on March 31, 2023 respectively (Nil as on March 31, 2022) owing to niche customer profile. Acuité notes the deterioration in on-time portfolio which stood at 65.33 percent as on March 31, 2023. Nonetheless, the company's business is yet to stabilize given its moderate scale of operations; its scalability and the asset quality needs to be monitored given the inherent vulnerability of the borrower segment.

ESG Factors Relevant for Rating

Mufin Green Finance Limited (MGFL) 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 behaviour. 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. MGFL maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. MGFL 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, MGFL 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 and Collection Efficiency.
- Movement in Profitability Metrics
- Growth in Scale of Operations

Material Covenants

None

Liquidity Position

Adequate

MGFL's liquidity profile as on March 31,2023 is well matched with no negative cumulative mismatches across time buckets. The company reported cash and cash equivalents of Rs.118.22 Cr. as on March 31, 2023.

Outlook: Stable

Acuité believes that the MGFL 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	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	395.47	102.90
Total Income*	Rs. Cr.	29.67	15.12
PAT	Rs. Cr.	8.12	10.88
Net Worth	Rs. Cr.	153.68	101.61
Return on Average Assets (RoAA)	(%)	3.26	11.13
Return on Average Net Worth (RoNW)	(%)	6.36	11.32

Total Debt/Tangible Net worth (Gearing)	Times	1.47	-
Gross NPA	(%)	2.61	-
Net NPA	(%)	1.99	-

*Total income equals to Net Interest Income

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, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Aug 2023	Term Loan	Long Term	10.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	32.03	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	17.95	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE BBB Stable (Reaffirmed)
11 Nov 2022	Proposed Bank Facility	Long Term	85.54	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	14.46	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not Applicable	Proposed Bond	Not Applicable	Not Applicable	Not Applicable	100.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	17.95	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	60.00	Simple	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	32.03	Simple	ACUITE BBB Stable Reaffirmed
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not Applicable	Term Loan	Not available	Not available	Not available	40.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	10.02	Simple	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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