

April 01, 2024

ManiBhavnam Home Finance India Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loan	50.00	50.00	[ICRA]BBB- (Stable); reaffirmed
Total	50.00	50.00	

*Instrument details are provided in Annexure I

Rationale

The rating considers ManiBhavnam Home Finance India Pvt. Ltd.'s (ManiBhavnam) adequate capitalisation profile as it scaled up its operations. The company reported an annualised growth of 37% in 10M FY2024 with its assets under management (AUM) increasing to Rs. 216 crore as on January 31, 2024. ManiBhavnam remains adequately capitalised with a managed gearing¹ of 3.7 times as on December 31, 2023 (3.8 times as on March 31, 2023), while the capital-to-risk weighted assets ratio (CRAR) of 38.6% was well above the regulatory requirement of 15%. The company raised ~Rs. 9-crore equity capital from private investors in 9M FY2024, which has helped it maintain its capitalisation profile while scaling up its operations. Given its high growth plans and modest internal accruals, ManiBhavnam would continue requiring equity infusions to maintain a prudent capitalisation profile as it keeps expanding its operations. ICRA takes note of the company's plans to raise ~Rs. 50-crore equity capital in FY2025 to support the envisaged growth. ICRA also notes that the funding tie-ups have increased over the last two years, whereby ManiBhavnam has raised funds from public sector banks, small finance banks and foreign financial institutions. However, it would need to expand its funding relationships going forward as well, given its growth plans and funding requirement.

The rating is constrained by ManiBhavnam's moderate asset quality and weak profitability metrics. Its gross non-performing assets (GNPAs) increased to 1.99% as on December 31, 2023 (1.92% as on January 31, 2024) from 1.44% as on March 31, 2023. ICRA notes that the company is expecting improvement in GNPA in Q4 FY2024. Additionally, the company held repossessed assets of 0.9% and had a standard restructured portfolio of 2.4% as on December 31, 2023 (restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress). ICRA also notes that the restructured portfolio is gradually declining, though the company's ability to control fresh slippages and recover from delinquent accounts would remain a monitorable. The rating also factors in the limited seasoning of the portfolio, given the major scale-up of the operations in the last few years, and the relatively vulnerable borrower profile.

Although on an improving trend, the profitability remains weak with ManiBhavnam reporting a net profit of Rs. 1.7 crore in 9M FY2024, translating into a return on average managed assets (RoMA) of 1.0% (Rs. 1.4 crore and 0.9%, respectively, in FY2023), aided by the improvement in the operating efficiency. Nevertheless, the company's ability to maintain/improve its interest margin and keep its operating expenses and credit costs under control, as it continues to scale up its operations, remains important from a credit perspective.

The Stable outlook reflects ICRA's expectation that the company will continue to maintain an adequate capital profile as it scales up its operations. ICRA also expects the asset quality and profitability to improve gradually from the current levels.

¹ Managed gearing = (On-book debt + Off-book portfolio) / Net worth

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile – ManiBhavnam’s CRAR of 38.6% was well above the regulatory requirement of 15% as on December 31, 2023. It remains adequately capitalised with a net worth of Rs. 50 crore and a managed gearing of 3.7 times as on December 31, 2023 (3.8 times as on March 31, 2023). The company raised ~Rs. 9-crore equity capital in 9M FY2024 from private investors, which has helped it maintain an adequate capitalisation profile while scaling up its operations. Given its high growth plans and modest internal accruals, ManiBhavnam would continue requiring equity infusions to maintain a prudent capitalisation profile as it keeps expanding its operations. ICRA takes note of the company’s plans to raise ~Rs. 50-crore equity capital in FY2025 to support the envisaged growth plans.

Credit challenges

Limited track record and small scale of operations with relatively vulnerable borrower profile – Operating since February 2017, the company has been able to scale up its operations to an AUM of Rs. 216 crore as on January 31, 2024 through a network of 16 branches spread across 5 states. Although it continues to expand its operations, the scale remains relatively small. Further, given the limited track, the book lacks seasoning compared to the longer-tenure asset class and the long-term performance of the loan book is yet to be established. ManiBhavnam’s target borrower profile comprises low-and-middle-income individuals/families with undocumented and informal sources of income. These borrowers could be more susceptible to downturns in the economy as they have limited income buffer to absorb economic shocks.

Moderate asset quality – The reported on-book GNPA’s increased to 1.99% as on December 31, 2023 (1.92% as on January 31, 2024) from 1.44% as on March 31, 2023. ICRA notes that the company is expecting improvement in GNPA in Q4 FY2024. Additionally, the company held repossessed assets of ~1% and had a standard restructured portfolio of 2.4% as on December 31, 2023 (restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress). ICRA notes that the restructured portfolio is declining gradually. ICRA also takes note of the provisions carried by the company on this portfolio and that the losses on default are expected to be limited, considering the secured nature of the portfolio. Nevertheless, ManiBhavnam’s ability to control fresh slippages and recover from delinquent accounts would remain a monitorable.

Weak profitability indicators – Despite improving, the profitability remains weak with ManiBhavnam reporting a net profit of Rs. 1.7 crore in 9M FY2024, translating into a RoMA of 1.0% (Rs. 1.4 crore and 0.9%, respectively, in FY2023), aided by the improvement in the operating efficiency. The net interest margin declined in 9M FY2024 due to the higher cost of funds. However, the reduction in the operating expenses ratio and low credit costs led to a marginal improvement in the profitability. Nevertheless, the company’s ability to maintain/improve its interest margin and keep its operating expenses and credit costs under control, as it continues to scale up its operations, remains important from a credit perspective.

Liquidity position: Adequate

As on December 31, 2023, the company’s liquidity profile was supported by adequate unencumbered on-balance sheet liquidity of Rs. 13.6 crore along with scheduled inflows of Rs. 38.2 crore against scheduled debt obligations of Rs. 40.6 crore till December 31, 2024. It also held Rs. 30.0 crore sanctioned and unutilised funding lines. Factoring in the unutilised funding lines and the expected collections from advances, the liquidity profile is adequate for meeting the debt obligations in a timely manner.

Rating sensitivities

Positive factors – A significant increase in the scale and diversification of operations while maintaining a prudent capitalisation, healthy asset quality and improving the profitability indicators on a sustained basis could positively impact the rating.

Negative factors – A deterioration in the asset quality indicators, resulting in sustained pressure on the profitability indicators, could negatively impact the rating. Inability to maintain prudent capitalisation with the managed gearing exceeding 5 times on a sustained basis or a stretch in the liquidity position could also put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

ManiBhavnam Home Finance India Pvt. Ltd. (ManiBhavnam), which was incorporated in 2016, started operations in February 2017 with a focus on the affordable housing space for the under-financed segment. It was founded by Mrs. Meghha Gupta and Mr. Ayyushman Mehta. Mr. Deepak Joshi joined the company in August 2016 as the Chief Founding Mentor and Director.

The company reported a profit after tax (PAT) of Rs. 1.7 crore in 9M FY2024 (provisional, before tax) on gross assets under management (AUM) of Rs. 211 crore as on December 31, 2023 against a PAT of Rs. 1.4 crore in FY2023 on gross AUM of Rs. 166 crore as on March 31, 2023. Operating in five states as on December 31, 2023, the AUM comprised home loans (60%) and loan against property (40%) with a focus on the self-employed borrower segment (65%).

Key financial indicators

ManiBhavnam Home Finance India Pvt. Ltd.	FY2022	FY2023	9M FY2024*
Total income	15.4	24.5	25.6
PAT	1.1	1.4	1.7
Total managed assets	95	166	211
Return on managed assets [^]	1.0%	0.9%	1.0%
Managed gearing (times)	2.3	3.8	3.7
Gross NPA	1.76%	1.44%	1.99%
CRAR	65%	41%	39%

Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; [^]PAT/Average (Total assets + Assigned book); Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Apr 01, 2024	-	Feb 17, 2023	Dec 30, 2021
Term loans	Long term	50.00	39.58	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)

Complexity level of the rated instrument

Instrument Name	Complexity Indicator
Long-term fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund based – Term loan	Dec 2021 to Dec 2022	10.9%- 11.8%	Nov 2026 to Dec 2029	50.00	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

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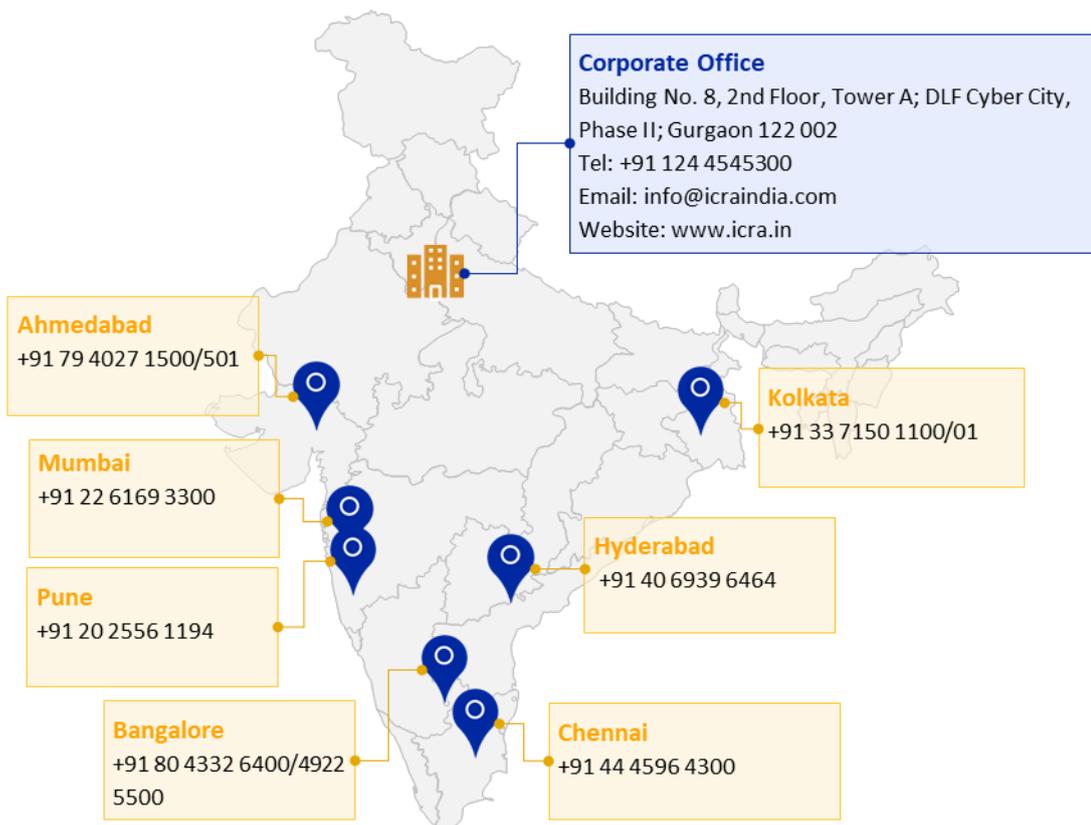
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