June 05, 2024

ManiBhavnam Home Finance India Pvt. Ltd.: Rating reaffirmed and rated amount enhanced

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	85.00	[ICRA]BBB- (Stable); reaffirmed and assigned for enhanced amount
Total	**50.00**	**85.00**	

**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 a growth of 35% in FY2024 with its assets under management (AUM) increasing to Rs. 225 crore as on March 31, 2024. ManiBhavnam remains adequately capitalised with a managed gearing of 3.8 times as on March 31, 2024 (3.8 times as on March 31, 2023), while the capital-to-risk weighted assets ratio (CRAR) of 38.0% was well above the regulatory requirement of 15%.

The company raised ~Rs. 9-crore equity capital from private investors in 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 reported gross non-performing assets (GNPAs) increased marginally to 1.49% as on March 31, 2024 from 1.44% as on March 31, 2023. Additionally, the company held repossessed assets of 1.2% and had a standard restructured portfolio of 3.0% as on March 31, 2024 (restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress). ICRA notes that even though ManiBhavnam's restructured portfolio is declining gradually, its 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. 3.2 crore (provisional) in FY2024, translating into a provisional return on average managed assets (RoMA) of 1.4% (Rs. 1.4 crore and 0.9%, respectively, in FY2023), aided by the improvement in the operating efficiency and low credit costs. 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 and gradually improve its earnings profile as it scales up its operations.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile – ManiBhavnam's capital-to-risk weighted assets ratio (CRAR) of 38.0% was well above the regulatory requirement of 15% as on March 31, 2024. It remains adequately capitalised with a net worth of Rs. 52 crore and a managed gearing of 3.8 times as on March 31, 2024 (3.8 times as on March 31, 2023). The company raised ~Rs. 9-crore equity capital in 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. 225 crore as on March 31, 2024 through a network of 18 branches spread across 6 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 GNPAs increased marginally to 1.49% as on March 31, 2024 from 1.44% as on March 31, 2023. Additionally, the company held repossessed assets of 1.2% and had a standard restructured portfolio of 3.0% as on March 31, 2024 (restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress). ICRA notes that the share of 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. 3.2 crore (provisional) in FY2024, translating into a RoMA of 1.4% (Rs. 1.4 crore and 0.9%, respectively, in FY2023). While the operating efficiency improved, the net interest margin declined in 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. 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 March 31, 2024, the company's liquidity profile was supported by adequate unencumbered on-balance sheet liquidity of Rs. 7.5 crore along with scheduled inflows of Rs. 39 crore against scheduled debt obligations of Rs. 43 crore till March 31, 2025. It also held Rs. 71 crore of 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 prudent capitalisation and 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. 3.2 crore in FY2024 (provisional) on gross assets under management (AUM) of Rs. 225 crore as on March 31, 2024 against a PAT of Rs. 1.4 crore in FY2023 on gross AUM of Rs. 166 crore as on March 31, 2023. Operating in six states as on March 31, 2024, the AUM comprised home loans (61%) and loan against property (39%) with a focus on the self-employed borrower segment (66%).

Key financial indicators

ManiBhavnam Home Finance India Pvt. Ltd.	FY2022	FY2023	FY2024*
Total income	15.4	24.5	35.6
PAT	1.1	1.4	3.2
Total managed assets	95	166	225
Return on managed assets^	1.0%	0.9%	1.4%
Managed gearing (times)	2.3	3.8	3.8
Gross NPA	1.76%	1.44%	1.49%
CRAR	65%	41%	38%

*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	Current 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
				Jun 05, 2024	Apr 01, 2024	-	Feb 17, 2023	Dec 30, 2021
Term loans	Long term	85.00	58.63	**[ICRA]BBB- (Stable)**	**[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	85.00	[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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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