November 26, 2025

Mahaveer Finance India Limited: [ICRA]BBB+ (Stable) assigned for enhanced amount; rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based TL	100.00	1,100.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Non-convertible debentures	90.00	90.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**190.00**	**1,190.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating takes into consideration Mahaveer Finance India Limited's (MFIL) established track record and its adequate profitability and capitalisation. MFIL has been operating in the vehicle financing segment for over 35 years, with its current focus mainly on the financing of used commercial and passenger vehicles. Its assets under management (AUM) witnessed a compound annual growth rate (CAGR) of 29% over the last five years (FY2021-FY2025) and rose by 35% (annualised) in H1 FY2026. ICRA expects the AUM to increase at a CAGR of 40-50% over the next two years, considering its moderate scale. MFIL's managed gearing and capital-to-risk weighted assets ratio (CRAR) improved to 2.5 times and 39.7%, respectively, as of September 2025, supported by the Rs. 200-crore equity capital raise from new and existing private equity investors during Q4 FY2025-Q1 FY2026. ICRA notes that the company would be required to raise capital in a timely manner over the medium term to keep its managed gearing below the targeted level of 6 times while the AUM scales up as envisaged. Further, it would have to strengthen and diversify its borrowing profile as it scales up.

MFIL's profitability (PAT/AMA[1]) was 2.3% in H1 FY2026 and 1.9% in FY2025 (1.9% in FY2024 and 2.3% in FY2023), supported by the improvement in the net interest margin and some moderation in operating expenses. ICRA notes that credit costs[2] increased to 0.5% and 0.4% in FY2025 and H1 FY2026, respectively (0.1% in FY2024), as the company continued to witness asset quality pressure during this period.

The rating factors in MFIL's geographically concentrated operations with the top 2 states – Tamil Nadu and Andhra Pradesh – accounting for ~81% of the AUM as of September 2025. The rating also considers the moderate credit profile of the borrowers, who are usually first-time vehicle owners or small fleet operators, etc. The asset quality indicators had witnessed pressure in recent quarters as the gross non-performing assets (GNPA) increased to 5.5% as of June 2025 from 4.7% as of March 2025. It improved to 4.5% as of September 2025, supported by the company's recovery efforts. MFIL's 30-90 days past due (dpd), nevertheless, increased to 9.7% as of September 2025 (7.6% as of June 2025) from 6.8% as of March 2025. The asset quality performance therefore remains monitorable, considering the asset quality covenants (GNPA of 5%) for a sizeable share of the borrowings.

The Stable outlook reflects ICRA's expectation that MFIL will maintain adequate profitability and capitalisation as it scales up and shall keep the asset quality under control.

[1] *Profit after tax/Average managed assets*

[2] *Repo and settlement losses are classified as deduction from interest income in the reported financials*

Key rating drivers and their description

Credit strengths

Established track record in used vehicle financing segment – MFIL was incorporated as a non-banking financial company (NBFC) in 1981 and was acquired by the current promoters in 1987. It has been operating in the vehicle financing segment for over 35 years. The company entered used commercial vehicle (CV) financing in 2001 and steadily expanded its operations across Tamil Nadu, Andhra Pradesh, Telangana, and Puducherry over the years. The board consists of nine directors, including three promoter directors, four investor directors and two independent director with relevant experience in the banking, financial services and insurance (BFSI) space.

Adequate profitability indicators – MFIL has maintained adequate profitability with PAT/AMA of 2.3% in H1 FY2026 and 1.9% in FY2025 (1.9% in FY2024 and 2.3% in FY2023). The profitability was supported by healthy interest margins, given the reduction in the cost of funds along with some moderation in operating expenses. However, credit costs[3] increased to 0.5% and 0.4% in FY2025 and H1 FY2026, respectively, from 0.1% in FY2024 as the company continued to witness asset quality pressure during this period. MFIL's ability to improve its operating efficiency and control its credit costs would be crucial for sustaining its profitability, going forward.

Capitalisation commensurate for near-term growth requirements – MFIL's capitalisation profile was supported by the capital infusions by private equity (PE) investors. It had raised Rs. 95-crore capital from PE investors during FY2019-FY2024. Further it raised Rs. 50.0-crore equity from First Bridge India Growth Fund during March-April 2025 and Rs. 150-crore equity from Elevation Capital VIII Limited in May 2025. Consequently, the net worth improved to Rs. 404 crore as of September 2025 from Rs. 172 crore as of March 2024. Also, the managed gearing and CRAR improved to 2.5 times and 39.7%, respectively, as of September 2025 (4.5 times and 28.2%, respectively, as of March 2024). ICRA notes that the company targets to operate with a managed gearing of less than 6 times and would thus need to raise capital in a timely manner to support its growth plans in the medium term.

Credit challenges

Geographically concentrated operations – MFIL has operations in Tamil Nadu, Puducherry, Andhra Pradesh, Telangana and Karnataka (entered in H1 FY2026) with 94 branches as of September 2025. Its AUM increased at a CAGR of ~29% during FY2021-FY2025. Further, it grew by 35% (annualised) in H1 FY2026 and stood at Rs. 1,182 crore as of September 2025. To support the expected increase in MFIL's AUM at a CAGR of 40-50% in the next two years, it would be crucial to expand its branch network.

As of September 2025, Tamil Nadu and Andhra Pradesh accounted for ~81% of the AUM (~84% as of September 2024). The company's operations are expected to remain concentrated in these five states/Union Territories (UTs) in the near to medium term.

Moderate credit profile of borrowers – MFIL's customers are usually first-time vehicle owners or small fleet operators, who have limited or no credit track records. They are generally more susceptible to economic shocks and have limited income buffers. Thus, the delinquencies in the softer buckets could remain volatile. In Q1 FY2026, the GNPA rose to 5.5% as of June 2025 from 4.7% as of March 2025 due to incremental slippages, resulting in the breach of covenants with lenders (GNPA of 5%). It improved to 4.5% in September 2025, supported by recovery efforts through repossession and settlements with the borrowers in Q2 FY2026. ICRA notes that MFIL has prudent underwriting and risk management practices along with stringent processes for the collection, repossession and recovery of vehicles. However, the 30-90 dpd increased to 9.7% as of September 2025 (7.6% as of June 2025) from 6.8% as of March 2025. The asset quality performance therefore remains monitorable,

[3] *Repo and settlement losses are classified as deduction from interest income in the reported financials*

considering the asset quality covenants (GNPA of 5%) for a sizeable share of the borrowings. MFIL's expected credit loss (ECL) provisions stood at 1.7% of the loan book as of September 2025 (1.7% as of March 2025).

Limited diversification of funding sources – As of September 2025, term loans from banks and NBFCs accounted for 82% of the overall borrowings followed by debentures (16%) and sub-debt (2%). MFIL had funding lines from 40 banks/financial institutions (FIs) as of September 2025. Its average cost of funds had improved to 11.8% in H1 FY2026 from 13.0% in FY2025 (13.1% in FY2024). As of September 2025, the company had covenant breaches (on 30+ dpd) with four lenders, contributing ~7% to the outstanding debt; no adverse actions were taken by these lenders. Further, MFIL had no borrowings with loan recall options on account of covenant breaches. ICRA notes that it would be important for the company to diversify its funding sources as it scales up.

Liquidity position: Adequate

As of September 2025, MFIL had on-balance sheet liquidity of Rs. 202 crore and unutilised bank lines of Rs. 67 crore. These, along with the collections from advances, are expected to be adequate for its debt repayment obligations of Rs. 244 crore during October 2025-March 2026. The asset-liability management statement, as of September 2025, had positive cumulative mismatches across all buckets.

Rating sensitivities

Positive factors – The rating could be positively impacted if MFIL scales up its operations while keeping the asset quality under control and improving the return on managed assets (RoMA) on a sustained basis.

Negative factors – The rating could be negatively impacted if the managed gearing crosses 6 times on a sustained basis or the RoMA declines below 1.5% on a prolonged basis. Continued deterioration in the asset quality could also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of MFIL

About the company

Mahaveer Finance India Limited was incorporated in 1981 as a deposit-taking NBFC and was acquired by the current promoters in 1987. Currently, it operates as a non-deposit taking NBFC, providing retail finance for used commercial vehicles from 2001. MFIL operates predominantly in Tamil Nadu and Andhra Pradesh followed by Telangana, Karnataka and Puducherry with 94 branches as of September 2025. It is managed by the promoters – Mr. Mahaveer Chand Dugar (Executive Vice Chairman) and his sons – Mr. Deepak Dugar (Managing Director and Chief Executive Officer) and Mr. Praveen Dugar (Deputy Managing Director and Chief Financial Officer). Banyan Tree Growth Capital, First Bridge India Growth Fund and Elevation Capital VIII Limited (private equity funds) held 20.1%, 23.3% and 16.0%, respectively, of the diluted stake as of September 2025.

MFIL reported a net profit of Rs. 21 crore on a managed asset base of Rs. 1,243 crore in FY2025 compared to Rs. 17 crore and Rs. 990 crore, respectively, in FY2024. Further, it reported a net profit of Rs. 15 crore in H1 FY2026 on a managed asset base of Rs. 1,473 crore.

Key financial indicators (Ind-AS)

Mahaveer Finance India Limited	FY2024	FY2025	H1 FY2026 (P)
Total income	130	172	97
Profit after tax	17	21	15
Total managed assets	990	1,243	1,473
Return on managed assets	1.9%	1.9%	2.3%
Managed gearing (times)	4.5	4.4	2.5
Gross stage 3	2.1%	3.9%	4.0%
CRAR	28.2%	25.1%	39.7%

Source: Company, ICRA Research; Amount in Rs. crore; P – Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Nov-26-2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term fund based – TL	Long term	1,100.00	[ICRA]BBB+ (Stable)	Jun-11-2024	[ICRA]BBB+ (Stable)	-	-	-	-
				Jun-20-2024	[ICRA]BBB+ (Stable)	-	-	-	-
				Feb-18-2025	[ICRA]BBB+ (Stable)				
Non-convertible debenture	Long term	90.00	[ICRA]BBB+ (Stable)	Jun-20-2024	[ICRA]BBB+ (Stable)	-	-	-	-
				Feb-18-2025	[ICRA]BBB+ (Stable)	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term fund-based TL	Simple
Non-convertible debenture	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 loans	Jun-20-2022 to Nov-15-2025	NA	Jan-27-2026 to Dec-18-2029	626.74	[ICRA]BBB+ (Stable)
NA	Long term fund based - term loans– Unallocated	NA	NA	NA	473.26	[ICRA]BBB+ (Stable)
INE911L07113	NCD	Jul-03-2024	12.00%	Jul-03-2026	20.00	[ICRA]BBB+ (Stable)
INE911L07121	NCD	Feb-18-2025	11.60%	Feb-18-2027	25.00	[ICRA]BBB+ (Stable)
INE911L07139	NCD	May-15-2025	12.00%	Sep-25-2026	20.00	[ICRA]BBB+ (Stable)
NA	NCD – Proposed	NA	NA	NA	25.00	[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

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