



Press Release

Arthmate Financing India Private Limited
(erstwhile Mamta Projects Private Limited)

March 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.98	IVR BBB/Stable (IVR Triple B; with Stable Outlook)	IVR BBB-/Positive (IVR Triple B Minus; with Positive Outlook/)	Upgraded with Revision in Outlook	Simple
Long Term Bank Facilities-Proposed	173.02	IVR BBB/Stable (IVR Triple B; with Stable Outlook)	IVR BBB-/Positive (IVR Triple B Minus; with Positive Outlook/)	Upgraded with Revision in Outlook	
Non-Convertible Debentures	35.18	IVR BBB/Stable (IVR Triple B; with Stable Outlook)	IVR BBB-/Positive (IVR Triple B Minus; with Positive Outlook/)	Upgraded with Revision in Outlook	Simple
Non-Convertible Debentures-Proposed	64.82	IVR BBB/Stable (IVR Triple B; with Stable Outlook)	IVR BBB-/Positive (IVR Triple B Minus; with Positive Outlook/)	Upgraded with Revision in Outlook	Simple
Total	300.00	Rupees Three Hundred Crores Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded long term rating of IVR BBB with revision in outlook to Stable for the sanctioned/proposed bank loan facilities and non-convertible debentures (NCD) of Arthmate Financing India Private Limited (AFIPL).



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The rating draws comfort from the experienced management and strategic investors, viable technology-based business model, diversified geographical presence and loan portfolio, satisfactory collection efficiency and low levels of GNPA's and improved scale of operations with substantial infusion of capital. However, these strengths are partially offset by limited track record of loan operations and inherent risks associated with the unsecured lending.

The 'Stable' outlook indicates growing scale of operations in the medium term. IVR believes AFIPL's will continue benefit from its experienced management, availability of fund for further growth and higher acceptability of the company in the market.

IVR has principally relied on the standalone audited financial results of AFIPL upto 31 March 2023, 10MFY24 unaudited results and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations, profitability and AUM above 1400 crore
- Maintain strong asset quality with improved collection efficiency
- Sustenance of the overall gearing below 3.10x

Downward Factors

- Deterioration in overall gearing and capital adequacy ratio
- Substantial rise in slippages to NPA's
- Continuous deterioration in the asset quality and earning profile of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management and strategic investors:**
The company is currently managed by two directors Ms. Baljeet Kaur and Mr. Sachin Khandelwal, who have more than two decades of experience in banking and NBFC sector. The directors are ably supported by qualified and well experienced management team. The board has adequate representation from investors and extends strategic support to the company. The management is aware of the risks associated with the segment and has put in place an elaborate credit policy for on-boarding and sanction process. AFIPL, is promoted by Arthmate Tech Private Limited (ATPL) with 99.51% stake as on 31st January 2024, a Gurgaon-based fintech platform, which offers various products such as credit exchange, credit cloud and risk engine services to its partners. AFIPL has received periodic equity infusion from its parent to support its lending



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operations, while equity infusion in ATPL has been led by a number of investors including Aartieca Family Trust (AFT), Resilient Innovations Private Limited (RIPL-known as BharatPe) and PSNBK Advisors LLP, with AFT and RIPL being the largest with a stake of 58.15% and 15.50% respectively as on 31st January 2024.

- **Diversified geographical presence and loan portfolio:**

AFIPL has disbursed unsecured loans with an average ticket size of Rs. 0.50 lakh and with majority of tenure more than 5 months but less than 15 months. The better quality of loan portfolio due to low-ticket sizes and the distribution across various industries and geographies provides an additional comfort. Supported by its digital platform and branchless model, AFIPL has a presence across 25 states and 6 UTs in India. The concentration of AFIPL's loan book in a single state or industry did not exceed 21.11% in FY2023 and ~23% in 10MFY24.

- **Viable technology-based business model:**

AFIPL has adopted a branchless business model with most of the operations from sourcing to evaluation happening online. MPPL uses a proprietary algorithm which provides the score for each application filed which is used to evaluate credit decisions. This supports the entity's ability to scale up its portfolio with limited incremental investment, as well as be present across locations in the country. Given the branchless mode of operations, AFIPL has achieved presence in 25 states and 6 Union Territories (UTs).

- **Satisfactory collection efficiency and low levels of GNPA's:**

The collection efficiency has remained at satisfactory levels around 84.72% during past 12 months ending January 2024. The gross and net NPAs stood at 1.01% and 0.78% in FY2023. In 10MFY24 the gross and net NPAs stood at 1.88% and 1.35% respectively, it was higher due to change in FLDG scheme and depiction of NPA post default loss guarantee (DLG) guidelines in June 2023. In FY2023, AFIPL's 87.82% of the total portfolio is current and 11.17% falls within 90DPD bucket and remaining 1.01%, are declared as NPA against the total loan portfolio in FY2023 due to better recovery process and quality customers. In 10MFY2024 84.02% of the total portfolio is current, 8.08% falls within 90DPD bucket, 6.13% falls above 90DPD bucket and remaining 1.77%, are declared as NPA.

- **Improved scale of operations and substantial infusion of capital:**

The total income (TI) has improved by 34.55% in FY2023 to Rs. 129.76 crore from Rs. 96.44 crore mainly due to an increase in loan disbursements in FY2023 which in turn increased interest income and fee income which resulted in an increase in total income. In 10MFY24 the TI stood at Rs. 116.16 crore. The assets under management (AUM) have grown to Rs 368.32 crore in FY2023 from Rs. 272.30 crore in FY2022, it further



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improved to Rs. 680.50 crore in 10MFY24. The net profit has improved to Rs. 5.53 crore in FY2023 from Rs. 3.87 crore in FY2022 mainly due to increase in scale of operations. Going forward, the company's continued ability to diversify their resource profile and raise funds at competitive interest rates would add to the profitability of the company. In current financial year (FY2024) till 31st January 2024 the parent has substantially infused equity of around Rs. 143.32 crore.

Key Rating Weaknesses

- **Limited track record of operations:**
AFIPL started its lending operations in December 2020 and has grown its loan book to Rs. 368.32 crore in FY2023, as compared with Rs. 272.30 crore in FY2022. However, with loan book growth improving since December 2021, the ability of the company to maintain and report significant growth in its loan portfolio in FY2024 remains a key rating sensitivity.
- **Inherent risk associated with the unsecured lending:**
AFIPL majorly caters to the MSME segment, which is highly vulnerable to downward economic cycles given the low cash flow buffers. Further, the entire AUM represents unsecured lending, which impedes recoveries from the harder delinquency buckets.

Analytical Approach: For arriving at the ratings, IVR has analysed AFIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFC's
Financial Ratios & Interpretation \(Financial Sector\)
Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The liquidity profile of the company remains adequate with did not have cumulative mismatches in its asset-liability management profile as on January 31, 2024, due to favourable asset maturity profile. Further, AFIPL's has a liquidity cushion of Rs. ~40.20 crore in the form of unencumbered cash and cash equivalents as on January 31, 2024. Also, the company maintains surplus liquidity to cover one week to its debt obligations and operating expenses. IVR does not foresee any liquidity risk in the near term, given AFIPL's adequate liquidity position and its ability to raise funds.



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About the company

Arthmate Financing India Private Limited (formerly known as Mamta Projects Private Limited) was registered as an NBFC Loan Company with the RBI in May 2003. It operates under the brand name “Arthmate” and offers a bouquet of loan products to the customers sourced by partner fintech companies/financial institutions. It commenced its retail lending operations from December 2020 onwards. AFIPL does lending to the niche segment of low-ticket size, shorter tenure unsecured loans. It offers products like term loans, line of credit, invoice discounting, personal loan, payday loans, education loans and bullet loans etc.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2022	31-03-2023	10MFY24
	Audited	Audited	Unaudited
Total Income	96.44	129.76	116.16
PAT	3.87	5.53	10.29
Total Debt	276.88	266.69	131.81
Tangible Networkth	69.97	95.10	248.70
Total loan assets/AUM	272.30	368.32	680.50
Overall Gearing Ratio (x)	3.96	2.80	0.53
Return on Total Assets (%)	1.39	1.66	-
Gross NPA (%)	0.25	1.01	1.88
Net NPA (%)	0.21	0.78	1.35

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2023-24)					Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 16th February 2024	Date(s) & Rating(s) assigned in 2023-24 7th July 2023	Date(s) & Rating(s) assigned in 2022-23 24th Feb 2023	Date(s) & Rating(s) assigned in 2022-23 15 th Sep 2022	Date(s) & Rating(s) assigned in 2021-22	
1.	Fund Based	Long Term	26.98	IVR BBB/Stable	IVR BBB- /Positive	-	-	-	-	
2.	Fund Based (Proposed)	Long Term	173.02	IVR BBB/Stable	IVR BBB- /Positive	IVR BBB- /Stable	IVR BBB- /Stable/ IVR A3	IVR BBB- /Stable/ IVR A3	-	
3.	NCD	Long Term	35.18	IVR BBB/Stable	IVR BBB- /Positive	-	-	-	-	
4.	Fund Based (Proposed NCD)	Long Term	64.82	IVR BBB/Stable	IVR BBB- /Positive	IVR BBB- /Stable	IVR BBB- /Stable	IVR BBB- /Stable	-	

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2024	1.33	IVR BBB/Stable
Term Loan	-	-	August 2024	2.74	IVR BBB/Stable
Term Loan	-	-	December 2026	22.91	IVR BBB/Stable
Proposed Term Loan	-	-	-	173.02	IVR BBB/Stable
NCD (ISIN: INE0GA407218)	28-12-2022	13.50%	28-03-2024	4.52	IVR BBB/Stable
NCD (ISIN: INE0GA407226)	01-02-2023	13.50%	30-04-2024	9.00	IVR BBB/Stable
NCD (ISIN: INE0GA407234)	01-03-2023	13.50%	31-05-2024	2.53	IVR BBB/Stable
NCD (ISIN: INE0GA407242)	06-04-2023	13.50%	06-07-2024	1.00	IVR BBB/Stable
NCD (ISIN: INE0GA407259)	30-05-2023	13.50%	29-08-2024	2.32	IVR BBB/Stable
NCD (ISIN: INE0GA407267)	30-05-2023	13.50%	29-08-2024	0.45	IVR BBB/Stable



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NCD (ISIN: INE0GA407275)	01-07-2023	13.50%	30-09-2024	0.53	IVR BBB/Stable
NCD (ISIN: INE0GA407283)	01-07-2023	13.50%	30-09-2024	0.53	IVR BBB/Stable
NCD (ISIN: INE0GA407291)	01-09-2023	13.50%	30-11-2024	0.99	IVR BBB/Stable
NCD (ISIN: INE0GA407309)	19-10-2023	13.50%	18-01-2025	1.36	IVR BBB/Stable
NCD (ISIN: INE0GA407317)	01-12-2023	13.50%	28-02-2025	10.00	IVR BBB/Stable
NCD (ISIN: INE0GA407325)	27-12-2023	13.50%	26-03-2025	1.95	IVR BBB/Stable
Proposed NCD	-	-	-	64.82	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/LEN-Arthmate-12032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of Instrument	NCD
Financial Covenant	Nil
Rating Covenant	Nil
Non-Financial Covenant	-Debentures shall be secured by continuing security by way of an exclusive charge up to extent of 1.10x (existing) and 1.25x (proposed) of principal amount of Debentures outstanding (Security cover) on standard/hypothecated receivable in favour of the Debenture trustee for the benefit of debenture holders -The record date shall be 2 business days prior to each coupon payment date/ redemption date.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).