India Ratings Assigns Monedo Financial Services' Additional NCDs 'IND BBB-'/Stable; Affirms Existing Facilities

Aug 04, 2026 | Monedo financial services private Limited | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Monedo Financial Services Private Limited's (MFSPL) debt instruments:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures	Refer ISIN annexure	-	-	-	3,000	IND BBB-/Stable	Assigned
Non-convertible debentures	Refer ISIN annexure	-	-	-	2,000	IND BBB-/Stable	Affirmed
Bank loan facilities	RBI	-	-	-	1,000	IND BBB-/Stable	Affirmed

Analytical Approach

Ind-Ra continues to take a standalone view of MFSPL to arrive at the rating.

Detailed Rationale of the Rating Action

The rating reflects Ind-Ra's expectation of a continued expansion in MFSPL's operations over the medium term, supported by stable asset quality. The rating is also supported by the company's improving profitability profile, with the agency expecting improved operating leverage as the business scales further. However, the rating is constrained by MFSPL's significant exposure to its largest anchor accounts and its moderate funding profile, characterised by high borrowing costs.

List of Key Rating Drivers

Strengths

- Steady growth in scale of operations
- Asset quality to evolve with business model
- Improving operating efficiency drives sustained profitability
- Experienced promoters and management team

Weaknesses

- Concentrated exposures need to be closely monitored
- Moderate funding profile

Detailed Description of Key Rating Drivers

Steady Growth in Scale of Operations: In FY26, MFSPL's assets under management (AUM) grew 131 yoy to around INR4.34 billion (FY25: INR1.82 billion) and further to INR5.56 billion in 1QFY27. MFSPL primarily offers supply chain lending solutions to anchors and their dealer networks, healthcare financing, small and medium enterprises (SME) loans

and consumer loans, primarily operating in Tier-3 and below locations, through a branchless model. It focuses on sectors such as sanitaryware, electricals, hardware, and plumbing. The ticket sizes are up to INR5 million and the average tenor ranges between 27 and 40 days for anchors and up to 120 days for other products such as healthcare financing, supply chain financing to dealers, and consumer loans. These loans are backed by a first-loss default guarantee of up to 5% from the anchors/partners/loan service providers, offering a credit loss absorption buffer to MFSPL. Supply chain financing accounts for 99% of the portfolio. The remaining portfolio includes health insurance financing, SME loans, and other consumer products.

The company's tangible net worth strengthened to INR951 million at 1QFYE27 (FYE26: INR860 million; FYE25: INR549 million), driven majorly by internal accruals. In 1QFY27, the existing debt of INR165 million was converted to compulsory convertible debentures (CCDs), which, post conversion, will further strengthen the net worth of the entity. During FY26, the promoters infused total equity of INR229.3 million, of which INR129.3 million was infused by converting a previously existing promoter debt into equity. However, to support the business growth, the company's total debt outstanding grew to INR4,376 million (including the CCDs worth INR160 million) at 1QFYE27. Of this, INR210 million represents borrowings from its wholly owned subsidiary. Accordingly, the external debt stood at INR4,166 million, translating into a moderate external leverage (external debt/tangible net worth) of 4.4x (FY25: 3.9x), against a headline leverage of 4.6x on gross debt. The debt to tangible net worth(including the CCD in net worth) stood at 3.8x in 1QFY27.

In July 2026, the promoter infused INR100 million in the form of equity, and an existing debt holder invested INR50 million of the INR250 million CCD term sheet signed. Given its growth trajectory, Ind-Ra believes that a capital infusion might be essential in the near to medium term. The company is likely to receive equity capital in the near term to bring the leverage below 3.5x. This is to support expansion without overleveraging the balance sheet and provide an adequate capital buffer over and above the regulatory requirement to withstand asset quality stress that may rise considering the wholesale nature of the business.

Asset Quality to Evolve with Business Model: With the majority of MFSPL's loan book dedicated to supply chain financing, the company has maintained stable asset quality. Both gross non-performing assets and net non-performing assets remained nil during FY26 and 1QFY27, reflecting the company's prudent onboarding practices, frequent borrower engagements, and short tenure of loans that enable high portfolio churn and invoice monitoring (which is capped at INR5 million). However, the entity faces inherent risks associated with unsecured lending—particularly considering broader market stress in the segment. However, as the company expands beyond its established supply chain financing business into healthcare and SME lending and continues onboarding new anchors and dealers, the performance of these relatively new borrower segments remains to be tested. As such, incremental growth and asset quality trends in these areas are key monitorables.

Improving Operating Efficiency Drives Sustained Profitability: MFSPL reported a profit after tax of INR91.8 million in 1QFY27 (FY26: INR145.8 million; FY25: INR106.3million). The company's profitability has improved over the years due to the reduction in opex/average tangible assets (1QFY27: 7.26%; FY26: 11.15%; FY25: 15.57%). This improvement reflects the benefits of operating leverage, as a significant portion of personnel and infrastructure-related costs—incurred upfront to establish a scalable operating platform—had already been absorbed in the initial years, which had contributed to the early losses. In FY26, the net interest margin/average assets moderated to 15.8% (FY25: 20.6%), due to the elevated cost of funds, resulting in a dip in return on assets to 4.2% in FY26 (FY25: 6.1%). However, in 1QFY27, despite the net interest margin remaining at a lower level of around 14% (FY26: 15.8%; FY25: 20.6%), the overall profitability led by a significant reduction in operating expenses, resulted in an ROA of nearly 6.9% (4.5%; 4.2%). The company has effectively risk-priced its loans at yields of 36%, supported by its niche borrower base, which augments the overall profitability. Ind-Ra anticipates that continued scale growth and improved customer selection will drive operating leverage, thereby supporting sustained profitability.

Experienced Promoters and Management Team: MFSPL benefits from the strong leadership of its promoter, who brings over two decades of experience in retail and SME lending across leading financial services institutions. The promoter is actively involved in the company's day-to-day operations and held around 91.2% stake as of March 2026. The remaining stake is held by family-owned offices, which are also part of the promoter's network. The promoter had extended loans to the company in the past, which were converted into equity, demonstrating a high level of commitment and resourcefulness in supporting MFSPL's growth during its formative years. The company is also supported by a seasoned management team, with around 20 years of domain-specific experience in lending. Governance is overseen by an eight-member board

of directors, comprising three non-executive directors, two independent directors, two executive directors, and the chief executive officer. Ind-Ra expects MFSPL to strengthen its leadership team by appointing additional functional heads across geographies as the business scales. Also, the company is working on strengthening its technological infrastructure.

Concentrated Exposures Need to be Closely Monitored: While the top 10 anchors constituted around 41% of MFSPL's AUM at end-1QFY27, the concentration levels reduced significantly from 62% in 1QFY26, reflecting the company's conscious diversification efforts. Nevertheless, concentration risk remains a key rating constraint, as the company has significant direct and indirect exposure to its largest anchor, amounting to nearly INR550 million at end-1QFY27 (about 10% of the total AUM). The elevated level of exposure heightens the company's vulnerability, as any deterioration in the credit quality of a single anchor could materially affect the overall asset performance and non-performing asset levels. MFSPL intends to maintain a prudent concentration framework with an internal target of restricting exposure to any single anchor to within 10% of AUM over time, thereby reducing dependency on individual anchor relationships and strengthening portfolio diversification.

Furthermore, around 93% of the company's loans are in Karnataka and Tamil Nadu, which creates a geographic concentration risk. The company knows the southern market well and plans to grow mainly in the areas where it already operates. However, as it becomes bigger, it is open to expanding into other states with the help of strong local anchor partners. Ind-Ra opines MFSPL will need to proactively diversify its borrower base and reduce average loan exposure per client. A more diversified portfolio in terms of geography and number of anchors would help strengthen the company's credit profile and enhance long-term financial stability.

Moderate Funding Profile: As of June 2026, convertible notes from foreign debt funds and inter-corporate deposits (ICDs) from non-lending private entities comprised 63% of MFSPL's total debt portfolio. According to management, the preference for convertible notes stems from their longer tenors than domestic borrowings, which typically do not exceed 12 months. One of the foreign debt funds has previously held equity in MFSPL, which was later bought back by the promoter indicating a sustained relationship.

The weighted average cost of funds moderated slightly but remained elevated at about 16% in 1QFY27; however, in the recent quarters, the company onboarded a few lenders including public sector units that have disbursed loans at a lower rate of around 12% than the historical levels. The management anticipates a further reduction in the same in the near term, driven by onboarding new lenders and other public sector banks, continued profitability, and growing scale of operations in FY27. In line with its strategic objectives, MFSPL is actively working to diversify its lender base by engaging with banks and large NBFCs, aiming to reduce the reliance on convertible notes. Ind-Ra expects this shift to contribute to a lower overall cost of funds. Furthermore, Ind-Ra believes MFSPL's ability to secure longer-tenor funding from banks and capital markets will be supported by a sustained operational scale-up, sustained profitability, and stable asset quality. Progress in these areas is a key rating monitorable.

Liquidity

Adequate: The liquidity is supported by the short-term nature of supply chain financing; however, the evolving liquidity needs to be watched closely as the entity is scaling up. At end-June 2026, MFSPL's contractual structural liquidity statement had a cumulative surplus of 12% as a percentage of the total assets in less-than-one-year bucket and unencumbered cash and liquid investments of INR308 million, as against debt repayments of INR289 million for the next three months. The company's continued ability to raise funds from diverse sources remains monitorable. However, on a sustainable basis, the entity intends to keep one to one-and-a-half months of debt repayment on its book.

As on 17 July 2026, MFSPL was in breach of 0.4% of its debt covenants. These breaches were primarily linked to net worth. The management expects the breach percentage to end by November 2026 as the loans mature.

Rating Sensitivities

Positive: The ability to scale up the franchisee while maintaining capital buffers, asset quality and with more diversified funding profile and reduction of cost of funds will be positive for the ratings.

Negative: Following factors can, individually or collectively, lead to a negative rating action:
- sharp deterioration in the scale of operations, which could lead to a significant weakening of the profitability

- a material rise in portfolio delinquencies
- funding challenges and dilution of liquidity buffers
- the leverage exceeding 3.5x on a sustained basis

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Ratings: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MFSPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

MFSPL commenced operations in 2017 following the acquisition of an international financial services firm. The company primarily offers consumer loans, healthcare financing, SME, and supply chain lending solutions to anchors and their dealer networks through a branchless model. The company operates in the business-to-business-to-consumer space and has a digital presence through its partners spread across 14 states. It offers loans with a ticket size of up to INR5 million with the average tenor ranging between 27 and 40 days for supply chain anchor financing. Other loans such as healthcare and consumer loans are up to 120 days. The company's AUM stood at around INR4.34 billion at end-FY26.

Key Financial Indicators

Particulars	1QFY27	FY26	FY25
Total tangible assets (INR million)	5,916	4,630	2,355
Total tangible equity (INR million)	951	860	541
Net profit (INR million)	91.8	146	106
Return on average tangible assets (%)	6.9	4.2	4.5
Tangible equity/tangible assets (%)	18.9	18.9	18.6
Capital adequacy ratio (%)	21.1	20.2	21.1
Source: Ind-Ra, MFSPL Note: The company transitioned to IND AS in FY26 hence the audited FY26 and FY25 numbers are reinstated.			

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	17 July 2026	15 May 2026	15 October 2025
Non-convertible debentures	Long-term	5,000	IND BBB-/Stable	IND BBB-/Stable	IND BBB-/Stable	-

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	17 July 2026	15 May 2026	15 October 2025
Bank loan facilities	Long-term	1,000	IND BBB-/Stable	IND BBB-/Stable	IND BBB-/Stable	IND BBB-/Stable

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	Regulator of the Instruments	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (INR million)
Non-convertible debentures	SEBI	INE0I5X07034	19 June 2026	13.7	19 July 2027	IND BBB-/Stable	550
Non-convertible debentures	SEBI	INE0I5X07042	1 July 2026	14.4	1 October 2027	IND BBB-/Stable	1,000
Non-convertible debentures	SEBI	INE0I5X07067	23 July 2026	13.7	30 September 2027	IND BBB-/Stable	550
Non-convertible debentures (Unutilised)	SEBI					IND BBB-/Stable	2,900

Total limit	5,000
Source: Company, NSDL	

Contact

Primary Analyst
Jinay Gala
Director
India Ratings and Research Pvt Ltd
Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East,Mumbai - 400051
+91 22 40356138
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Akancha Singh
Analyst
022 40356183

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

DISCLAIMER

India Ratings and Research Private Limited (India Ratings) is a private limited company registered under the provisions of the Companies Act, 1956, having CIN U67100MH199SFTC140049, and registered office at Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India. The contact details of India Ratings are Telephone No.: +91 22 4000 1700 and Fax. No.: +91 22 4000 1701. India Ratings is registered with the Securities and Exchange Board of India (SEBI) as a Credit Rating Agency under Section 12 of the SEBI Act, 1992, having SEBI Registration Number IN/CRA/002/1999.

India Ratings and Research Private Limited (India Ratings) is a Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI) under Section 12 of the SEBI Act, 1992. In this capacity, India Ratings undertakes ratings of listed and proposed to be listed instruments that fall under the regulatory oversight of SEBI. In addition, in line with Regulation 9(f) of the SEBI (Credit Rating Agencies) Regulation, 1999, India Ratings rates financial instruments falling under the purview of other financial sector regulators (FSR). Instruments which come under the purview of other FSRs do not come under the overall governance of SEBI. Issuers/Users/readers of this communication/report are, therefore, cautioned to know the risks involved in dealing in such instruments. Such instruments can carry Liquidity and Price Risk which pertains to how saleable a Security is in the market. If a particular Security does not have a market at the time of sale, then the Investor's investments may have to bear an impact depending on its exposure to that particular Security. It is not possible to predict if, and to what extent, a secondary market may develop in the debt securities or at what price the debt securities will trade in the secondary market or whether such market will be liquid or illiquid. The more limited the secondary market is, the more difficult it may be for holders of the debt securities to realise value for the debt securities prior to redemption of the debt securities. If the debt securities are unlisted, then the ability of the Investors to resell or trade them may be limited, leading to liquidity and price risk on the debt securities. The returns from a particular asset class may underperform returns from other asset classes. The changes in government policy in general and changes in taxation may impact the returns to investors. There can be external risks arising out of geopolitical situations which can lead to volatility in/impact the performance of the individual securities. Issuers/Users/readers are advised to note that SEBI’s investor protection mechanisms and SEBI’s grievance or dispute redressal mechanisms are not applicable to ratings assigned by India Ratings that fall under the purview of other FSRs. Should you have any grievance with instruments under the purview of other FSRs, please write to infogrp@indiaratings.co.in. For any grievance with instruments under the purview of SEBI, please write to investor.grievances@indiaratings.co.in.

All credit ratings assigned by India Ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.indiaratings.co.in/rating-definitions. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India Ratings’ code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.