

India Ratings Assigns Monedo Finance's NCDs 'IND BBB-/Stable; Affirms Existing Facilities

May 15, 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 as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR1,000	IND BBB-/Stable	Assigned
Bank loan facilities	-	-	-	INR1,000	IND BBB-/Stable	Affirmed

*yet to be issued

Analytical Approach

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

Detailed Rationale of the Rating Action

The ratings reflect Ind-Ra's expectation of MFSPL's continued operational expansion over the medium term, supported by stable asset quality. The ratings are further supported by MFSPL's healthy profitability, with the agency anticipating that scaling up operations will enhance the company's operating leverage. However, the rating is constrained by MFSPL's high concentration of exposure to the top anchor accounts and its moderate funding profile with elevated cost of funds.

List of Key Rating Drivers

Strengths

- Steady growth in scale of operations
- Stable asset quality
- 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: MFSPL primarily offers healthcare financing, small and medium enterprises (SME) loans, consumer loans, and supply chain lending solutions to anchors and their dealer networks, 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 MFSP. As of end-FY26, MFSP's assets under management (AUM) stood at around INR4.34 billion, majority attributed towards supply chain financing. The remaining portfolio includes health insurance financing, SME loans, and other consumer products.

The company's tangible net worth increased to INR962 million at FYE26 (FYE25: INR549 million; FYE24: INR358 million), driven majorly by internal accruals. 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. The total debt outstanding was INR3,373 million at FYE26, resulting in a leverage (debt/tangible equity) of 3.5x (FY25: 3x). As per management, a few existing debtholders approached the company to convert their existing debt instruments into equity amounting to INR450 million and the promoter is expected to infuse another 100 million by end-1QFY27, which will aid MFSP to reduce the leverage below 3.5x in the near-to-medium term. Given its growth trajectory, Ind-Ra believes that a capital infusion might be essential in the near-to-medium term. 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. FY26 financials are provisional.

Stable Asset Quality: With the majority of MFSP'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 FY25-FY26, 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. As such, incremental growth and asset quality trends in these areas are key monitorables.

Improving Operating Efficiency Drives Sustained Profitability: The positive profit after tax trajectory continued in FY26, with the company reporting a profit before tax of INR183.4 million. MFSP recorded a profit before tax of INR132.6 million in FY25, marking its first profitable year since inception after a period of sustained losses. In FY26, the opex/average asset improved to 11.14% (FY25: 15.49%) owing to the increase in the scale of operations. The improvement also reflects that 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. However, the net interest margin/average assets moderated to 15.21% in FY26 (FY25: 20.58%), owing to the elevated cost of funds resulting in a dip in return on assets to 5.2% in FY26 (FY25: 12.2%; FY24: negative 7.8%). Despite the decline, the return on assets remained healthy in FY26. 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 further anticipates that continued growth in the scale and improved customer selection will drive operating leverage, thereby supporting sustained profitability.

Experienced Promoters and Management Team: MFSP 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, which were converted into equity demonstrating a high level of commitment and resourcefulness in supporting MFSP's growth during its formative years. The company is also supported by a seasoned management team, each, 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 MFSP to further 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 47% of MFSP's AUM at end-FY26 indicating significant borrower concentration, the concentration levels have reduced significantly from 62% in 1QFY26, reflecting the company's conscious diversification efforts. 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. MFSP 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 90% 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 MFSP 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 March 2026, convertible notes from foreign debt funds and inter-corporate deposits (ICDs) from non-lending private entities comprised 82% of MFSP's total debt portfolio. According to management, the preference for convertible notes stems from their longer tenors compared to domestic borrowings, which typically do not exceed 12 months. One of the foreign debt funds has previously held equity in MFSP, which was later bought back by the promoter indicating a sustained relationship.

The cost of funds remained elevated at about 18.3% in FY26 however, in the recent quarters, the company onboarded a few lenders including public sector units that have disbursed loans at a relatively 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, MFSP 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 MFSP'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-March 2026, MFSP's contractual structural liquidity statement had a cumulative surplus of 47% as a percentage of the total assets in less-than-one-year bucket, the entity had unencumbered cash and liquid investments of INR232 million, as against debt repayments of INR207 million for the next three months. The company's ability to further 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.

Rating Sensitivities

Positive: The ability to scale up the franchisee and maintain capital buffers, asset quality and profitability with a 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 MFSP, 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

MFSPPL 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	FY26 (Provisional)	FY25
Total assets (INR million)	4,810	2,459
Total tangible equity (INR million)	962	549
Profit before tax	183.4	132.6
Net profit (INR million)	183.4	218.4
Return on average assets (%)	5.2	12.5
Equity/assets (%)	17.4	24.6
Capital adequacy ratio (%)	20.2	21
Source: Ind-Ra, MFSPPL		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Current Rating	15 October 2025
Non-convertible debentures	Long-term	INR1,000	IND BBB-/Stable	-
Bank loan facilities	Long-term	INR1,000	IND BBB-/Stable	IND BBB-/Stable

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

List of instruments and names of regulators of the instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

A. Rating Activity

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), India Ratings shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies @	NA

@ permitted by SEBI vide SEBI Master Circular for CRAs.

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

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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