

Press Release

VOLITION CREDIT AND HOLDINGS PRIVATE LIMITED

22 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA BBB**) on the Rs. 50.00 crore bank facilities of VOLITION CREDIT AND HOLDINGS PRIVATE LIMITED. The outlook is '**Stable**'.

Volition Credit and Holdings Private Limited (VCHPL) is a Mumbai based non- deposit-taking NBFC engaged in the business of lending to micro and small traders/retailers. The company is promoted by Mr. Sanjay Agarwal and Mrs. Priyanka Modi Lodha with equity participation from Mr. Modi, Mr. Lodha and family. The present promoters acquired VCHPL's NBFC license in 2014 and the company became operational in FY2016 under the leadership of Mr. Sanjay Agarwal. Currently, the company has presence in five locations –Mumbai (79.44 percent), Ahmedabad (16.84 percent), Indore (7 percent), New Delhi (5 percent) and Jaipur with a loan book outstanding of Rs.109.43 crore as on 30 Nov, 2017.

Key Rating Drivers

Strengths

• Comfortable capitalisation

VCHPL commenced its operations with a significant capital base of Rs. 120 crore infused by its promoters, Mrs. Priyanka Modi Lodha, Mr. Rahul Virendra Modi and members of Mr Modi, Mr. Lodha and family. A further equity infusion of Rs. 80 crore is also expected from the promoters as the loan book expands in the near to medium term. The company may also explore additional growth capital from private equity investors to supplement the capital contribution from the promoters. This will ensure an adequate capital position and a comfortable leverage level. SMERA believes that the leverage level of VCHPL would not exceed 2.0 times up to March 2019.

• Significant growth potential in MSME lending segment

VCHPL focuses on the MSME segment and its business model is designed to cater to small and medium enterprises clusters spanning across India. India is poised to witness a steady growth in the MSME segment in both manufacturing and services given the growth outlook of the economy, the favorable government policies, the improving funding environment and increased transparency arising from the introduction of GST. Clearly, the banks do not have the necessary infrastructure or the risk appetite to address such an increasing demand. The company aims to tap this opportunity in the MSME segment by providing financial products like term loans, bill discounting and working capital term loans to business and retailer.

• Experienced management

The company has a professional management team with significant experience in MSME lending in various banks. Sanjay Agarwal, CEO, is a senior banker with 25 years of experience in corporate and SME lending including more than 15 years at top management level roles across leading banks and financial institutions in India including SBI Group, SIDBI, SCB and Yes Bank. A senior leadership team comprising ex-bankers with significant experience in small ticket lending and recovery ably supports him. VHCPL has put in place adequate systems and processes to support its portfolio growth from the very beginning of its operations. Currently, the company has in place a Credit Analysis Team and Fraud Investigation Team consisting of 20 members analysing and vetting every loan proposal and recovery team to follow up.

Weaknesses

• Limited track record resulting in unseasoned loan portfolio

VCHPL has a limited record of accomplishment of three years with operations commencing in 2014. The loan advance during FY2015 and FY2016 was negligible and stood at Rs 0.15 crore and Rs.1.3 crore respectively. There was marked pickup in lending only in FY2017 and H1 FY2018 with outstanding loan Rs 40.75 crore and Rs 88.73 crore respectively. The company disbursed Rs 95.21 crore in the current financial year. The loan portfolio is unseasoned given the short duration of operation and limited exposure in the lending industry. Further, a significant proportion of the exposure is unsecured which increases the inherent risk profile of VCHPL's portfolio.

• Modest scale of operations

The scale of operations is modest as compared to peers. The loan advances stood at Rs 109.43 crore as on November 2017 as against Rs 40.75 crore as on March 2017. However, the company registered a steady growth in its loan portfolio in the past one year of operations. The profitability is currently weak due to high initial investments in systems and resources. The PAT stood at Rs 0.24 lakh on an operating income of Rs 3.88 crore as on March 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Volition Credit and Holding Pvt Limited

Outlook: Stable

SMERA believes that VCHPL will maintain a Stable outlook on account of its comfortable equity base and experienced management. The outlook may be revised to 'Positive' in case of healthy growth in AUM along with sustainable improvement in asset quality and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of challenges in increasing the AUM or deterioration in asset quality or decline in profitability indicators.

About the Rated Entity - Key Financials

	Unit	FY17
Total Assets	Rs. Cr.	50.78
Total Income	Rs. Cr.	3.88
PAT	Rs. Cr.	0.00
Net Worth	Rs. Cr.	25.00
Return on Average Assets (RoAA)	(%)	0.01
Return on Total Asset(RoTA)	(%)	0.00
Total Debt/Tangible Net Worth (Gearing)	Times	1.00
Gross NPA	(%)	0.00
Net NPA	(%)	0.00
Net Worth/ Net NPA	Times	0.00

Note-Financials for FY2016 and FY2015 are not included given the minimal scale of operations in the respective years

Any other information

none

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Non - Banking Financing Entities - <https://www.smera.in/criteria-nbfc.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BBB/ Stable

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Swati Banthia Analyst - Rating Operations Tel: 022-67141116 swati.banthia@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*