

Press Release

SI Creva Capital Services Private Limited

April 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	Provisional ACUITE A- CE Stable Assigned	-
Bank Loan Ratings	150.00	ACUITE BBB Stable Reaffirmed	-
Commercial Paper (CP)	25.00	-	ACUITE A2 Reaffirmed
Non-Convertible Debentures (NCD)	75.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	265.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE Provisional A- (CE)**' (read as **ACUITE Provisional A minus (Credit Enhancement)**) on the Rs.15.00 Cr. proposed partially credit enhanced term loan facility of Si Creva Capital Services Private Limited (SCCSPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 150.00 crore bank facilities of Si Creva Capital Services Private Limited (SCCSPL). The outlook is '**Stable**'.

Acuite has reaffirmed the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 25.00 crore Proposed Commercial Paper of Si Creva Capital Services Private Limited (SCCSPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 75.00 crore Non-Convertible Debentures of Si Creva Capital Services Private Limited (SCCSPL). The outlook is '**Stable**'.

The rating takes into account comfortable capital structure at consolidated levels (OnEMI Technology Solutions Private Limited- OnEMI is the holding company) as a result of regular capital infusion from investors. So far, OnEMI has raised roughly Rs.270 crore from investors which has been mainly down streamed into SCCSPL. As on March 31, 2021, OnEMI reported Networth and gearing of Rs. 166.07 crore and 0.72x, respectively. Capital Adequacy ratio of SCCSPL stood at 55.98 percent as on December 2021 as compared to 79.26 percent in FY2021 and 51.84 percent in FY2020. The ratings further factors in plans to raise capital of Rs. 350 crore in the near term at holding company level which shall further augment capitalization levels. The ratings also take into consideration experienced management of the company, scalable

business model with technology driven digital lending platform and improved business and financial performance. Post Covid-19 led pandemic, the company had realigned its business strategy towards higher yielding, low-ticket size and small duration lending which has led to growth in disbursements in the recent quarters. Disbursements during H1FY22 and Q3FY2022 stood at Rs. 1332 crore and Rs.1072.52 crore, respectively as against Rs. 957.21 crore in FY2021. Consequently, Profit before Tax (PBT) for 9MFY2022 on consolidated level stood at Rs. 36.51 crore as against losses of Rs.58.45 during FY21. SCCSPL has stringent risk management policy supported by rigorous write-offs and provisioning norms.

These strengths are however partially offset by muted profitability indicators on account of high operating costs and elevated credit costs associated with the business. While the company has reported improved profitability on both standalone and consolidated level, the same has been on account of improved business volumes and the resultant rise in interest and fee incomes. The ratings are also constrained on account of SCCSPL's subdued asset quality with on time portfolio being at 64.62 percent as on December 31, 2021 as against 78.89 percent in FY2021 and 85.02 percent in FY2020. While Acuite takes cognizance of the company's stringent provision and write-offs policy, asset quality will continue to be a key monitorable given the unsecured nature of portfolio.

Additionally, Acuite believes the ability of SCCSPL to profitably scale up its portfolio while maintaining robustness of its technology platform given the evolving nature of FinTech model is also a monitorable.

The Rs 15.00 Cr transaction has a PCE in the form of unconditional, irrevocable, payable on demand guarantee by Northern Arc covering 15 percent of the issue size of debentures. The level of guarantee as a percentage of the aggregate outstanding principal of the debentures is, however, capped at 25 percent.

If due to the amortization of the debentures, the credit enhancement percent exceeds 25 percent of the aggregate outstanding principal of the debentures, the Guarantee Cap shall be reduced to 25 percent of the aggregate outstanding principal of the debentures (Revised Guarantee Cap).

The rating on the Rs.15.00 Cr. proposed partially credit enhanced term loan facility is provisional and the final rating is subject to execution of following documents:

1. Debenture Trusteeship Agreement
2. Debenture Trust Deed
3. Deed of Hypothecation

About the Company

Incorporated on 8th July 2015, SiCreva is a wholly owned subsidiary of OnEMI Technology Solutions Pvt. Ltd (OnEMI) and headquartered in Mumbai. The company received certificate of registration from RBI on 8th September 2016 to carry on the business of Non-Banking Financial Institution (NBFC) without accepting public deposits. The company was founded by Mr. Ranvir Singh and Mr. Krishnan Vishwanathan, former McKinsey consultants and alumni of IIM Bangalore and Yale respectively. Si Creva majorly operates in the state of Maharashtra with ~31 percent loan portfolio outstanding as on September 30, 2021. SCCSPL has a branch network in 15 states with total employees of 336 as on September 30, 2021. Loans have a tenure ranging from 6 to 24 months for Purchase Finance and 2-24 months for Personal Loans.

About the Group

SiCreva outsources certain activities to OnEMI which is the FinTech arm having 'Kissht' as the brand name. Kissht is a one-of-a-kind-credit-led digital payment solutions platform by OnEMI that provides consumers seamless and easy access to credit for purchases across online and offline channels. It uses proprietary algorithms to assess the creditworthiness of a potential buyer in a real-time/instant process to enable the on-the-spot purchase. The Kissht platform is a fully digitized and automated fulfilment platform that supports all types of credit led purchases – an EMI-based loan, a debit-card EMI solution and credit-card EMI solutions. The platform is fully integrated with credit bureaus, Aadhaar, UPI and NSDL. The company's proprietary credit algorithm is driven by 855 bureau variables, 600+ social media variables, 75+

fraud analytics trigger and 100+ digital footprint variables.

About Northern Arc Capital Limited ("Northern Arc")

Northern Arc, previously known as IFMR Capital Finance Ltd., is a Non-Deposit taking NonBanking Financial Company (ND-NBFC) incorporated in 1989. It is involved in the placement (arranging funding for its clients via loan syndication, securitisation and assignment among others) and lending business. The company acts as a link between mainstream capital markets investors and highquality last mile lending institutions and businesses. The company's business is categorized as finance sector exposure, i.e., microfinance, affordable housing finance, commercial vehicle finance, consumer finance, agri-finance and small business loans, and non-finance sector exposure, i.e., mid-market finance and corporates.

Northern Arc reported Assets Under Management (AUM) of Rs. 6,457.01 Cr. as on December 31, 2021 as against Rs. 5,220.87 Cr. as on March 31, 2021. Northern Arc's asset quality moderated with GNPA (90+dpd) at 1.13% (provisional) as on December 31, 2021 as against 2.23% as on March 31, 2021. The company's Profit After Tax (PAT) stood at Rs. 124.71 Cr as per 9MFY22 (Rs. 67.51 Cr as on March 31, 2021). The company's debt/equity ratio was 2.53 times as on March 31, 2021 as compared to 1.96 times as on March 31, 2020. However, the debt/equity ratio increased to 3.00 times as on December 31, 2021.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of OnEMI Technology Solutions Private Limited (OnEMI), the parent company of Si Creva Capital Services Private Limited. This approach is in the view of the equity funds raised by the Holding Company OnEMI and subsequently down streamed to its operating Subsidiary (Si Creva). Acuité has further factored in the benefits arising from the structure while arriving at the final rating. This approach is also in view of common management besides financial and technology support from OnEMI to Si Creva.

Standalone rating considered for the PCE transaction of Rs 15.00 Cr: ACUITE BBB

Key Rating Drivers

Strength

Strength of underlying structure

The Rs 15.00 Cr transaction has a PCE in the form of unconditional, irrevocable, payable on demand guarantee by Northern Arc covering 15 percent of the issue size of debentures. The level of guarantee as a percentage of the aggregate outstanding principal of the debentures is, however, capped at 25 percent.

If due to the amortization of the debentures, the credit enhancement percent exceeds 25 percent of the aggregate outstanding principal of the debentures, the Guarantee Cap shall be reduced to 25 percent of the aggregate outstanding principal of the debentures (Revised Guarantee Cap).

Si Creva shall make payments of interest and principal amounts due along with all other obligations (if any) under the Transaction Document on T-5 business days. In the event of failure of the Issuer to comply, on T-4 Business Days, the Trustee shall invoke the PCE and the credit enhancement shall be dipped on T-1 Business days.

The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables. The Hypothecated Receivables shall at all times be equal to the value of 1.1 times the outstanding amounts of the facility.

In case of Issuer rating (as per Rating Agency's view) downgrade to below BB+, the Borrower will ensure that the percentage of outstanding principal value of PAR > 0 loans in the hypothecated pool does not exceed 10 percent of the outstanding principal value of the hypothecated pool.

Acuité believes that the structure provides adequate covenants to safeguard the interest of the investors.

Experienced management

Si Creva is a registered Non-Banking Financial Company (NBFC) and wholly owned subsidiary of OnEMI. The company is a part of the evolving fin-tech industry in India and commenced operations in 2016 with focus on providing unsecured credit products to individuals. It operates in the retail space and provides consumer durable (purchase finance) as well as personal loans catered to the market through online as well as offline model. The company provides loans through app called Kissht.

The company's board consists of eight directors, of which two are founder members, two are independent directors and four are representatives from the investors. Mr. Krishnan Vishwanathan is the founder and CEO of Kissht and leads the overall strategic way for the company while directly overseeing critical go-to-market functions. At McKinsey & Company, Mr. Krishnan has served over 15 banks and NBFCs on a variety of topics. Mr. Ranvir Singh is one of the Co-founders of Si Creva having more than 13 years of experience serving financial institutions. He is an expert in retail credit technology, risk. The founders are supported by experienced senior management team heading different verticals with adequate and relevant experience in their respective fields. Mr. Karan Mehta is the CTO and has 7 years of experience in big data, mobile and web delivery services. He previously worked at Citadel as the Tech program lead. Apart from this, there are three key management personnel heading Retail, Risk management and Treasury department.

Acuité believes the business risk profile of the company will benefit from the support from the management.

Comfortable capitalization levels coupled with demonstrated fund raising ability

OnEMI Technology Solutions Private Limited has received steady capital infusion at regular intervals. The same has been down streamed into Si Creva in the form of equity and preference capital. The company's parent company, OnEMI Technology Solutions Private Limited, is backed by marquee investors VentureEast and has raised Rs. 270 crore through multiple rounds of equity till date. This has resulted in to comfortable capitalisation levels, where CRAR stood at 56 percent as on December 2021 as compared to 79.26 percent in FY2021 and 51.84 percent in FY2020. The parent company is in advanced talks to raise capital of about Rs. 350 crores in the near term; the funding is expected to conclude by the end of FY22. The company also has Rs.145 crore of sanctions in pipeline from December 2021 till March 2022. However, gearing is comfortable at both standalone and consolidated level which stood at 0.71x and 0.72x, respectively in FY2021.

Acuité expects Si Creva's capital structure and business to continue to benefit from fund raising ability from investors.

Improvement in profitability on account of change in business mix & volumes

Si Creva operates in the retail space and provides consumer durable (purchase finance) as well as personal loans. Earlier, the company catered to the market through online as well as offline model. However, the tie-ups with physical merchants had been impacted during Covid-19 as their businesses suffered. This led to Si Creva being largely operational only in the personal loans segment and reduction in Purchase Finance loans. As on Sep 21, about ~90% of the portfolio is from personal loan as compared to ~64% as on March 2021 and ~33% as on March 2020. PAT stood at Rs. -58.45 crore in FY21 against Rs. -22.06 crore in FY20 at consolidated level. This is attributed to an increase in both credit and operating costs. Considering the impact of Covid-19, the company had undertaken new product construct – tenure of less than 3 months and a changed pricing policy – lower interest rates with higher processing fee of 5-6%, hiked yields from 25% to 35% which will help Si Creva to absorb higher operating costs. This shift in business model has resulted into higher fee income leading to interest rate spread of 30-35 percent. Disbursements during H1FY22 and Q3FY2022 stood at Rs. 1332 crore and Rs.1072.52 crore, respectively as against Rs. 957.21 crore in FY2021. Higher disbursements have led to improvement in AUM resulting into Rs. 404.33 crore as on December 31, 2021 as compared to Rs. 241.46 crore in FY21. The business turnaround with strategic reorientation towards higher yielding, low-ticket size and small duration lending along with

higher disbursements have led to increased profitability. Profit before Tax (PBT) for 9MFY2022 on consolidated level stood at Rs. 36.71 crore.

Acuité believes that the ability of the company to be profitable will depend on its operational efficiencies and ability to maintain growth momentum.

Weakness

Moderate Asset Quality; Stringent write-offs and provisioning policy

The portfolio had declined by nearly Rs.183.55 Cr. during FY2021, mainly led by reduction in Purchase Finance loan by Rs. 196.44 crore. The loan portfolio outstanding as on March 31, 2021 stood at Rs. 241.6 crore as against Rs. 425.15 crore as on March 31, 2020. Asset quality is moderated with on time being at ~64.62 percent as on December 21, 2021 against ~78.89 percent in FY2021 and ~85.02 percent in FY2020. The proportion of assets in 30-90 dpd bucket had sharply increased in 9MFY22 to 16.56 percent from 3.98 percent in FY21. However, the proportion of asset in 180+ dpd bucket was nil in 9MFY22. This on account of change in portfolio construct in favour of short term and low ticket size loans. Gross NPA had slightly increased from 4.44 percent as on June 2021 to 5.52 percent as on December 2021. However, it had improved marginally as compared to 8.69 percent in FY2021. Net NPAs are nil on account of provisions made by the company. As per the management of the company, write off policy has changed to 120+ dpd, earlier it used to happen at 180+ dpd. Along with this, the company follows stringent provisioning norms, where it has 100 percent provisioning for 90+ dpd. Going forward, asset quality metrics will remain critical parameters.

Evolving nature of FinTech business model

Given that the digital lending particularly in B2C segment is evolving and company is still in the early stage of operations, it is yet to be seen how the companies achieve the scalability and sustained profitability. Si Creva's lending process is entirely digital monitored through algorithms with minimal manual intervention. The experience of the management and the strong board composition has successfully led the group to become PAT positive in 9MFY2022, owing to the Covid-19 pandemic induced stress, there were slippages in the asset quality and operating and credit costs were high in FY21, leading to losses for the group in FY 2021. Hence the sustained performance and stability of the business model remains to be seen.

Technology and regulatory risks

Given that innovative technology is the backbone of FinTech business model, the company is exposed to technology risks encompassing data security, privacy and technology failure. Since all the business functions including data storage, disbursements and collections mechanism is done digitally, any breach shall expose the company to cyber events and liabilities arising thereon. Acuité understands that the company is frequently conducting tech audit to keep a track of any potential risk. The ability of the self-learning algorithms to underwrite better quality assets is still evolving and remains to be proved at the technology front in order to scale up the business operations. Additionally, the company is also exposed to evolving regulatory developments given that the FinTech business model is at nascent stage.

Assessment of Adequacy of Credit Enhancement

Si Creva has moderate experience in the unsecured personal loan and purchase finance loans and its capital position has been bolstered by capital infusions. Thus, even after considering risks such as possible asset quality deterioration, Acuité believes that the credit enhancement will stand adequate in all scenarios and in the event of any requirement, Northern Arc will provide the necessary support.

Rating Sensitivity

- Promoter/ investors support
- Movement in asset quality & Profitability metrics
- Sustained growth in business volumes
- Changes in regulatory environment

Material Covenants

Si Creva Capital Services Private Limited is subject to covenants stipulated by its

lenders/investors in respect of various parameters like capital structure, asset quality among others. As per confirmation received from client vide mail dated December 13, 2021, the company is adhering to all terms and conditions stipulated as covenants by its lender/investors.

Liquidity Position: Adequate

Si Creva's liquidity profile is adequate, with positive cumulative mismatches across all the buckets as per the ALM statement as of September 30, 2021. As on Nov 2021, Si Creva has maintained encumbered cash of Rs. 96 Crore against the repayment obligations of Rs. 38.4 Crore for the next three months. Its collection efficiency has been in the range of 80-90% over the last 6 months ending Dec 21. Collection Efficiency for the month of Dec 21 stood at 84.12 percent. Si Creva's change in the business model with shift towards shorter tenure of loans will provide further support to the liquidity.

Outlook: Stable

Acuité believes that Si Creva will maintain 'Stable' outlook over the near to medium term on account of support healthy capital position and support from investors. The outlook may be revised to 'Positive' in case Si Creva demonstrates significant and sustainable growth in its scale of operations while mitigating asset quality risks in portfolio. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of any sharp deterioration in asset quality and profitability levels.

Other Factors affecting Rating

Not Applicable

Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20(Actual)
Total Assets	Rs. Cr.	331.56	547.62
Total Income*	Rs. Cr.	117.83	164.00
PAT	Rs. Cr.	-0.58	5.71
Networth	Rs. Cr.	168.51	169.09
Return on Average Assets (RoAA)	(%)	-0.13	1.20
Return on Net Worth (RoNW)	(%)	-0.35	3.44
Total Debt/Tangible Net Worth (Gearing)	Times	0.71	1.90
Gross NPA's	(%)	8.69	2.60
Net NPA's	(%)	0.00	0.00

*Total income equals to Net interest income plus other income

Key Financials (Consolidated)

Particulars	Unit	FY21 (Actual)	FY20(Actual)
Total Assets	Rs. Cr.	342.20	619.10
Total Income*	Rs. Cr.	145.39	199.67
PAT	Rs. Cr.	-58.45	-22.06
Networth	Rs. Cr.	166.07	224.53
Return on Average Assets (RoAA)	(%)	-12.16	-4.16
Return on Net Worth (RoNW)	(%)	-29.93	-10.63
Total Debt/Tangible Net Worth (Gearing)	Times	0.72	1.43

*Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

Not Applicable

Supplementary disclosures for Provisional Ratings Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/documentation

The structure would have become null and void for the instrument. The rating of the instrument would have been equated to the standalone rating of the issuer (ACUITE BBB/Stable).

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Jan 2022	Non Convertible Debentures	Long Term	27.00	ACUITE BBB Stable (Assigned)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Commercial Paper Program	Short Term	25.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	120.00	ACUITE BBB Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	48.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE996U07040	Non-Convertible Debentures (NCD)	02-09-2021	14.22	02-12-2022	27.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Commercial Paper Program	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	Provisional ACUITE A- CE Stable Assigned
Fincare Small Finance Bank Ltd.	Not Applicable	Term Loan	13-02-2020	14.00	13-02-2022	15.00	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	27-03-2021	12.50	25-02-2022	15.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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