



**Press Release**  
**Power2sme Private Limited**  
**November 03, 2023**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	88.29	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	51.77	-	ACUITE A4+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	140.06	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating from "**ACUITE BBB-**" (read as ACUITE triple B Minus) to '**ACUITE BB+**' (read as ACUITE double B plus) on the Rs. 88.29 Cr. bank facilities of Power2SME Private Limited (P2S). The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has downgraded the short-term rating from '**ACUITE A3+**' (read as ACUITE A three plus) to '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs. 51.77 Cr. bank facilities of Power2SME Private Limited (P2S).

**Rationale for the downgrade**

The downgrade in the rating is on account of weak profitability metrics and moderate growth in operating revenue at a consolidated level. The profitability remained subdued due to high operating expenses. The group reported losses of Rs. 28.52 Cr in FY23 as compared to losses of Rs. 31.34 Cr in FY22 (losses for FY21: Rs 18.04 Cr.). Despite the increase in operating income from Rs. 703.22 Cr in FY22 to Rs 1056.68 Cr in FY23, the EBITDA continues to be muted on account of high cost purchases due to the moderate business volume. Acuite also takes into account the decline of AUM in the lending arm of the group Auriolus Finvest Pvt. Ltd. (AFPL) wherein the AUM saw a de growth from Rs. 70.42 Cr in FY22 to Rs. 61.31 Cr in FY23, further as on Jun-23 the AUM stood at Rs. 50.40 Cr. The GNPA deteriorated from 1.34 percent as on March-22 to 2.31 percent as on March-23. Acuite takes note of the improvement in the revenue profile of Auriolus Finvest in FY2023, reflected through increase in Interest Income of Rs. 10.36 Cr. in FY2023 as against Rs. 6.02 Cr. in FY2022. Accordingly, AFPL posted positive PAT of Rs. 0.22 Cr. in Q1FY24 as against the losses of Rs. 0.25 Cr. in FY23.

The rating continues to factor in the group's experienced management and support from marquee investors. The capital support from the marquee investors, like Kalaari Capital, Accel, Inventus Capital and Mr. Nandan Nilekani has resulted in healthy capital structure and financial flexibility at the Group level. Power2SME Private Limited's networth on a consolidated basis stood at Rs. 61.45 Cr. as on Mar 2023 with a leverage of 2.05 times. The investors have ~78 percent stake in the parent company as on March 31, 2023. The rating further factors in expectations of capital support from promoters/ investors in the near to medium term which shall be instrumental for scaling up business operations.

**About the company**

Power2SME Private Limited (Power2SME) is a private limited company incorporated in 2012. The company is engaged in the business of trading of Metals (majorly Steel & TMT), Polymers, Yarn, Chemicals etc and sells its product in domestic market. Headquartered in Gurugram, Power2SME has 5 offices spread across Mumbai, Chennai, Kolkata, Ahmedabad and Pune.

The company is led and promoted by Mr. R. Narayan (Founder & CEO) with the support of marquee investors.

## About the Group

Power2SME provides its B2B services through its digital ecosystem which delivers raw material procurement at competitive prices, MRO procurement, and access to finance to smaller SME's with an objective to provide them with higher efficiencies and profitability. Power2SME functions as a 'buying club' and helps SMEs benefit from economies of scale as a result of volume purchase and buying power across a large network of manufacturers. The company has 2 wholly owned subsidiary companies named Jijo India Private Limited & Auriolus Finvest Private Limited. Jijo India Private Limited was incorporated in October 2012 and engaged in the business of trading of various products. Auriolus Finvest Private Limited was incorporated in October 2018 and engaged in lending to SME sector by extending working capital loans to them.

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## Unsupported Rating

Acuite BB+/Stable

## Analytical Approach

### Extent of Consolidation

Full Consolidation

## Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated view on the business and financial risk profile of Power2SME Private Limited and its subsidiaries Auriolus Finvest Private Limited and others to arrive at the rating. The approach is driven by common management, shared brand, and strong operational and financial synergies between the group companies.

## Key Rating Drivers

### Strength

#### Experienced management team driving business growth

Power2SME Private Limited (P2S) is led by Mr. R. Narayan (Founder & CEO). Mr. Narayan is a seasoned entrepreneur with around two decades of corporate experience. He was previously associated with working in sales and marketing profiles for Microsoft, Oracle and TATA Group. Having worked with SME segment closely and understanding their nuances he co-founded Denave India Private Limited a technology powered sales enabling services company. Later in 2012, with the support of marquee investors, Mr. Narayan founded Power2SME to further his cause to empower the SME segment. Mr. Narayan is supported by an experienced professional team with diverse expertise in areas of finance, treasury, investments, customer-ready technology solutions, networking alliances amongst others. Accel and Inventus Capital have board representation and P2S benefits from their expertise. Mr. Mahendran Balachandran (Partner – Accel) and Mr. Parag Dhol (Inventus Capital) are on the board of P2S.

The management team has been able to on-board various suppliers on their platform and blue-chip companies as customers to fulfill their MRO requirements like Vendata, Hindustan Zinc, Orient, L&T and others. P2S has seen an improvement in its NMV from 696.36 Cr FY22 to Rs.1046 Cr. for FY23. The company had seen a decline in NMV in FY21 (Rs 342 Cr), the decline was on account of company's migration to new credit policies for its customers followed by slowdown in economy and country-wide lockdowns induced by pandemic. The company had earlier achieved an NMV of Rs. 675 Cr. during FY2019 and also incurred losses and bad-debts on account of non recoveries of due from receivables. The management team since then has

taken steps to improve its credit policies. The subsequent decline in traded volumes has resulted in the company not being able to achieve optimal levels of volumes required for break-even. Acuité believes that, the adoption of robust credit policies, on-boarding blue-chip clients to drive volumes and overall experience of the management will help the company to grow in a sustainable manner.

### **Funding from marquee investors, comfortable capitalization level**

The capital support from the marquee investors, like Kalaari Capital, Accel, Inventus Capital, Mr. Nandan Nilekani and IFC has resulted in healthy capitalization levels. P2S has low gearing and has been able to raise funds from banks and financial institutions. The investors have invested since the inception of P2S and have ~78 percent stake in the company as on June-23. P2S's networth stood at Rs. 61.45 Cr. as on Mar-23 with a gearing of 2.05 times. The support of the investors has helped the company to focus on business growth while taking corrective actions for a sustainable business model. The backing of the Investors has enable P2S to offer trade financing through their NBFC arm – Auriolus Finvest Private Limited thus enabling the Group to offer comprehensive solutions to their SME partners with respect to their raw material as well as their working capital requirements. The promoters are in discussion with existing and some new investors for another round of funding to drive growth in the volumes in its trading business and to foster its NBFC business to help build its AUM. These investments in business could help the P2S Group achieve break-even levels in medium term. Acuité believes that the business risk profile of P2S will benefit from the presence and support of marquee investors.

### **Weakness**

#### **Moderate financial risk profile**

P2S commenced its operations in 2012. The group reported loss of Rs. 28.52 Cr. for FY2023 over an operating income of Rs.1056.68 Cr. as compared to loss of Rs. 31.34 Cr. over an operating income of Rs. 703.2 Cr. during FY2022. The company will be able to achieve break-even only once it achieves optimal levels of volumes in its trading segment and rationalize its high operating costs. Since the company is currently less dependent on funding lines from Banks & NBFC/FI for its business operations, the finance cost and debt repayment obligations remain low. For the NBFC Auriolus Finvest Private Limited the Net Interest Income (NII) improved to Rs. 4.92 Cr. as on March 31, 2023, from 1.54 Cr. as on March 31, 2022. However, as the NBFC arm grows, the company would be in requirement of funding lines which could further add to the existing stress on profitability metrics unless, the company is able to optimize its overall operating costs and scale up business volumes. Additional capital infusions from investors, could help the business to maintain lower levels of finance costs in medium term, thus enabling the company to focus its resources in driving business growth.

#### **Competitive nature of industry and susceptibility to cyclical nature of industry**

P2S competes with various players in the organized and unorganized segments in trading industry, thus limiting the pricing power. Metals (especially steel) constitutes around 60 percent of the total NMV for P2S. The steel consumption is majorly dependent on the economic activities taking place in and around the country, any significant slowdown in this industry will impact the revenue of the P2S's customers thus impacting P2S's credit profile.

### **Rating Sensitivity**

- Ability to raise capital
- Sustained scale up in business operations
- Movement in liquidity, earnings profile and asset quality metrics
- Changes in Regulatory environment

### **All Covenants**

Power2SME is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

## Liquidity Position Adequate

The Group's liquidity is adequate and has maintained cash and bank balance of Rs. 15.81 crore as on March 31, 2023. A major portion of P2S portfolio is against Bank Guarantee and Letter of Credit which is correspondingly discounted against the bank lines with matched tenure.

## Outlook - Stable

Acuité believes that P2S will maintain 'Stable' outlook over the near to medium term on account of healthy capital position and support from marquee investors. The outlook may be revised to 'Positive' in case P2S 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

None

## Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	987.05	685.48
PAT	Rs. Cr.	(28.13)	(28.03)
PAT Margin	(%)	(2.85)	(4.09)
Total Debt/Tangible Worth	Times	0.50	0.17
PBDIT/Interest	Times	(0.64)	(5.91)

## Key Financials - Consolidated

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	1056.68	703.22
PAT	Rs. Cr.	(28.52)	(31.34)
PAT Margin	(%)	(2.70)	(4.46)
Total Debt/Tangible Worth	Times	2.05	1.05
PBDIT/Interest	Times	(0.25)	(2.73)

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is

different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Nov 2022	Bills Discounting	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	4.56	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	35.00	ACUITE BBB-   Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB-   Negative (Reaffirmed)
	Bills Discounting	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BBB-   Negative (Reaffirmed)
	Bills Discounting	Short Term	8.00	ACUITE A3+ (Reaffirmed)
24 Mar 2022	Bills Discounting	Short Term	8.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	15.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	4.56	ACUITE BBB-   Stable (Assigned)
	Bills Discounting	Short Term	25.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	30.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	35.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB-   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
SMC Moneywise Financial Services Pvt Ltd.	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	9.26	ACUITE A4+   Downgraded
Credable Equentia Financial Services Pvt Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	11.50	ACUITE A4+   Downgraded
Jiraaf: Alternative Fixed Income Investments	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	4.77	ACUITE A4+   Downgraded
CSB Bank Limited	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	3.73	ACUITE A4+   Downgraded
Aditya Birla Finance Limited	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	22.51	ACUITE A4+   Downgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.72	ACUITE BB+   Stable   Downgraded   Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	61.57	ACUITE BB+   Stable   Downgraded   Negative to Stable
Vivrit Capital Private Ltd.	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	5.00	ACUITE BB+   Stable   Downgraded   Negative to Stable
Northern Arc Capital (formerly IFMR Capital)	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	15.00	ACUITE BB+   Stable   Downgraded   Negative to Stable



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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