

Press Release

Auriolus Finvest Private Limited

March 24, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.82	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	40.82	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE BBB-'** (read as **ACUITE Triple B minus**) on the Rs. 40.82 Cr. bank facilities of Auriolus Finvest Private Limited (AFPL). The outlook is **'Stable'**.

The rating factors 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. The Group's networth on a consolidated basis stood at Rs. 112.58 Cr. as on March 31, 2021 with a leverage of 0.24 times. The investors have 78.29 percent stake in the parent company as on December 31, 2021. 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. The rating further takes into account sound asset quality of the NBFC portfolio with on-time portfolio at 91.52 percent and GNPA (180+ dpd) at 0.26 percent as on December 31, 2021.

The rating is however, constrained on account of modest business volumes, weak earnings profile and competitive nature of industry resulting in low margins. The group reported loss of Rs. 18.04 Cr. for FY2021 over an operating income of Rs. 344.29 Cr. The overall Net Merchandise Value (NMV) declined to Rs. 341.98 Cr. for FY2021 from Rs. 459 Cr. in FY2020 and Rs. 675.35 Cr. in FY2019. While some of the decline was attributable to migration to new credit policies, greater focus on secured lending and slowdown on account of pandemic, scale up in business volumes is key monitorable given thin business margins.

About the company

Auriolus Finvest Private Limited (AFPL), known with its Brand, "BizFunds" was incorporated in 2018 to carry on the business of lending to SME sector and working capital loans to Indian businesses to finance their purchase of manufacturing supplies: raw material and industrial equipment. The Company is a subsidiary of Power2SME Private Limited. In April, 2019, the Company has received the Certificate of registration from the Reserve Bank of India to carry on the business of Non-Banking Financial Institution without accepting public deposits.

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.

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.

Analytical Approach

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 Jijo India Private Limited to arrive at the rating. The approach is driven by common management, shared brand, and strong operational and financial synergies between the group companies. Extent of consolidation: Full

Key Rating Drivers

Strength

Experienced management team driving business growth

Auriolus Finvest Private Limited's (AFPL) parent company 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 been able to improve its NMV to Rs. 526 Cr. for 9M FY2022 after it declined to Rs. 342 Cr. for FY2021. 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 levels

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 infused Rs. 405.44 Cr. since the inception of P2S and have 78.29 percent stake in the company as on December 31, 2021. P2S's networth stood at Rs. 112.58 Cr. as on March 31, 2021 with a gearing of 0.24 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 foster its NBFC business to help build its AUM and drive growth in the volumes in its trading business. 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. 18.04 Cr. for FY2021 over an operating income of Rs. 344.29 Cr. as compared to loss of Rs. 42.47 Cr. over an operating income of Rs. 382.17 Cr. during FY2020. 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. 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

Material Covenants

None

Liquidity: Adequate

The Group's liquidity is adequate and has maintained unencumbered cash and bank balance of Rs. 0.94 crore as on March 31, 2021. 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 the group 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 the group 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.

Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	30.34	14.66
Total Income*	Rs. Cr.	1.47	0.80
PAT	Rs. Cr.	(2.41)	(3.00)
Networth	Rs. Cr.	11.42	8.84
Return on Average Assets (RoAA)	(%)	(10.72)	(35.69)
Return on Net Worth (RoNW)	(%)	(23.82)	(56.23)
Total Debt/Tangible Net Worth (Gearing)	Times	0.55	0.00
Gross NPA's	(%)	0.48	0.00
Net NPA's	(%)	0.00	0.00

*Total income equals to Net interest income plus other income

Key Financials - Consolidated

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	344.29	382.17
PAT	Rs. Cr.	(18.04)	(42.47)
PAT Margin	(%)	(5.24)	(11.11)
Total Debt/Tangible Net Worth	Times	0.24	0.13
PBDIT/Interest	Times	(3.89)	(9.05)

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
CSB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	3.09	ACUITE BBB- Stable Assigned
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	14.33	ACUITE BBB- Stable Assigned
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	5.77	ACUITE BBB- Stable Assigned
Northern Arc Capital (formerly IFMR Capital	Not Applicable	Term Loan	Not available	Not available	Not available	16.28	ACUITE BBB- Stable Assigned
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.35	ACUITE BBB- Stable Assigned

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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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