

Press Release

Western Capital Advisors Private Limited

May 02, 2022



Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings | 200.00 | ACUITE A- Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 200.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the **Rs.200 crore** bank loan facilities of Western Capital Advisors Private Limited (WCAPL). The outlook is '**Stable**'.

The rating takes into consideration the steady growth in WCAPL's assets under management (AUM) over the last few years, leading to improved and healthy profitability metrics. WCAPL recorded growth of 115 percent y-o-y to Rs 258.69 Cr as on March 31, 2021 vis-à-vis Rs 120.28 Cr as on March 31, 2020. The company reported PAT of Rs19.31 Cr for December 31, 2021 as compared to Rs 12.81 Cr for March 31, 2021 (Rs 7.42 Cr for March 2020). The rating further factors in continuous support from the resourceful promoter of Kejriwal Group by way of regular capital infusion. Accordingly, WCAPL has comfortable capital structure characterised by CAR of 58.24 percent and gearing of 0.87 times as on December 31, 2021. The rating also factors in company's sound asset quality and robust risk management practices. WCAPL reported NIL non-performing assets till March 31, 2021.

The rating is however constrained by relatively small scale of operations, limited track record coupled with low seasoning and credit risk associated with SME/ MSME book. Acuite takes note of increased focus on building granular retail portfolio, through partnership route backed by FLDG arrangements. Given these partnership alliances are done recently, the impact on scale up of disbursement volumes and movement in asset quality is yet to be established. Going forward, dilution in promoter support, movement in asset quality along with scale up in business operations are key rating sensitivities.

About the company

The company based out of Mumbai was founded in 2019 with a vision to support the financial services ecosystem by providing growth capital to upcoming players. WCAPL started with funding NBFC/Fintech/MFI/SME customers for their growth capital. Later, WCAPL found the opportunity to support the new age companies through partnership model. This will help the partners to utilize their resources in a more effective way. The company offers solutions for SME/MSME funding, supply chain finance, unsecured loans, personal loans & two-wheeler loans among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of WCAPL to arrive at the rating.

Key Rating Drivers

Strength

Support from Promoter group coupled with experienced management

WCAPL commenced its operations in 2019, over the past three years of operations, the company has received continuous support in the form of periodic capital infusion from the promoter group. WCAPL is promoted by the Kejriwal Group led by Kejriwal family. The Kejriwal group has infused funds amounting to Rs 173.75 crore since inception comprising equity and preference capital. Furthermore, Mr. Anil Kejriwal, Founder and CEO of WCAPL is ably backed by senior management team of WCAPL consisting of experienced professionals who have been in the lending business and have been associated with WCAPL since inception.

Acuité believes that the company's growth prospects will be supported by the promoters experience in the industry along with their demonstrated track record of resource raising ability.

Comfortable capital structure with low gearing levels

The Company has comfortable capitalization levels to support the near to medium term growth prospects. The capitalization levels of WCAPL majorly comprises Tier I capital, where CRAR stood comfortable at 58.24 percent (Tier I: 54.92 percent) as on December 31, 2021. The same stood at 85.44 percent (Tier I: 74.05 percent) in FY2021 as compared to 99.28 percent (Tier I: 91.79 percent) in FY2020. The company's capital structure is supported by a net worth of Rs. 213.40 crore as on December 31, 2021 (Rs 194.08 Crore as on March 31, 2021) with total debt of Rs 185.77 crore as on December 31, 2021 resulting in a gearing of 0.87 times as on December 31, 2021 as against 0.34 times as on March 31, 2021, which provide headroom for near term growth. Going forward, the company intends to leverage itself at around 3 times in the near to medium term.

Acuité expects the capital structure to remain healthy with the comfortable gearing levels considering the additional borrowings.

Increasing focus towards granular retail portfolio

WCAPL has diversified its product portfolio, which includes Supply Chain, LAP, TW and personal loans, after initially building the portfolio of SME and MSME loans. The company's outstanding loan portfolio stood at ~Rs. 385.29 cr. as on December 31, 2021 (~Rs. 258.70 cr. as on March 31, 2021 and Rs. ~120.28 cr. as on March 31, 2020). WCAPL's loan portfolio as on December 31, 2021 majorly comprises of SME and MSME loan which contribute 44.31 percent, followed by supply chain financing which constitute 33.37 percent and the rest consists of personal loans, LAP, revolving facility, education finance and two-wheeler loans. Under retail loans segment, the company has FLDG arrangements which provide risk cover upto 100 percent of the entire portfolio outstanding.

Acuité believes the majority of portfolio o/s backed by FLDG/ security cover which provides comfort and mitigates credit risk.

Comfortable profitability metrics

The company has disbursed loans worth Rs 863.62 crore for 9MFY22 as compared to Rs 310.71 Cr. during FY2021 (Rs 142.00 Cr. For FY2020). The company has comfortable profitability metrics owing to gradual portfolio growth and portfolio origination through lender partners due to which company has low opex. WCAPL's NIM stood at 9.78 percent as on December 31, 2021 the same stood at 10.59 percent as on March 31, 2021 (13.62 percent as on March 2020), Operating Expense to Earning Assets stood at 2.33 percent as on December 31, 2021 as against 1.51 percent as on March 31, 2021. During FY21, the company reported PAT of Rs. 12.81 crore in FY2021 as against Rs. 7.42 Cr in FY2020, with the 9MFY22 PAT standing at Rs. 19.31 Cr.

Acuité believes the company will be able to keep the profitability metrics healthy given their focus on maintaining robust collections.

Weakness

Modest scale and limited track record of operations

The company commenced with SME/MSME lending and is diversifying into building a granular retail segment. Further, the company has started its operations in 2019 with maximum disbursements made during 9MFY22. Loans offered under SME lending have an average tenure ranging between 3 to 24 months. WCAPL offers loan with ticket size ranging between Rs 2 lakhs to Rs 10 Cr. As on December 31,2021 around 33 percent of the outstanding portfolio has a ticket size ranging between Rs 3 Cr to Rs 10 Cr. Going forward WCAPL would be focusing on granularity of portfolio by diversifying into other retail asset classes. Given the limited track record of operations their continued growth in the coming years will be a key monitorable.

Acuité believes, the ability of the company to mobilize additional funding, profitable portfolio scale-up while maintaining asset quality will be crucial to the credit profile of the company.

Rating Sensitivity

- Movement in asset quality and profitability metrics
- Scale up in business operations
- Dilution in promoter shareholding & support
- Changes in regulatory environment

Material Covenants

WCAPL 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, the company is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.

Liquidity Position: Adequate

WCAPL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated December 31, 2021. The company had cash and cash equivalents of Rs 27.62 crore as on December 31, 2021.

Outlook-Stable

Acuité believes that WCAPL will maintain a 'Stable' outlook over the near to medium owing to established track record of promoters in lending and their resource raising ability along with demonstrated growth in loan portfolio while maintaining asset quality and profitability metrics. The outlook may be revised to 'Positive' in case of higher than envisaged growth in loan portfolio while maintaining profitability and asset quality metrics. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in asset quality or profitability metrics or in case of headwinds faced by promoters in raising resources in a timely and profitable manner or in case of any deterioration in capital structure or capitalization levels.

Key Financials - Standalone / Originator

| Particulars | Unit | FY21 (Actual) | FY20 (Actual) |
|---------------|---------|------------------|------------------|
| Total Assets | Rs. Cr. | 272.95 | 129.21 |
| Total Income* | Rs. Cr. | 23.23 | 15.02 |
| PAT | Rs. Cr. | 12.81 | 7.42 |

| | | | |
|------------------------------------|---------|--------|--------|
| Net Worth | Rs. Cr. | 194.08 | 116.27 |
| Return on Average Assets (RoAA) | (%) | 6.37 | 8.26 |
| Return on Average Net Worth (RoNW) | (%) | 8.26 | 8.92 |
| Debt/Equity | Times | 0.34 | 0.08 |
| Gross NPA | (%) | 0.00 | 0.00 |
| Net NPA | (%) | 0.00 | 0.00 |

*Total income equals to Net Interest Income, Securitization Income plus other income

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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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 |
|--|----------------|----------------------------------|------------------|----------------|----------------|-------------------|-------------------------------|
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE A- Stable Assigned |
| Not Applicable | Not Applicable | Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 96.67 | ACUITE A- Stable Assigned |
| Maanaveeya Development & Finance Private Limited | Not Applicable | Term Loan | Not available | Not available | Not available | 25.00 | ACUITE A- Stable Assigned |

| | | | | | | | |
|------------------------------|----------------|-----------|---------------|---------------|---------------|-------|-------------------------------|
| A U Small Finance Bank | Not Applicable | Term Loan | Not available | Not available | Not available | 10.83 | ACUITE A- Stable Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | 27.50 | ACUITE A- Stable Assigned |
| Nabsamruddhi Finance Limited | Not Applicable | Term Loan | Not available | Not available | Not available | 15.00 | ACUITE A- Stable Assigned |

Contacts

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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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