



Press Release
Western Capital Advisors Private Limited
October 04, 2024
Rating Reaffirmed

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE A-’** (read as **ACUITE A minus**) on the Rs. 200.00 crore bank loan facilities of Western Capital Advisors Private Limited (WCAPL). The outlook is revised from ‘**Stable**’ to ‘**Negative**’.

Rationale for the rating

The negative rating outlook factors in the company’s significant decline in the AUM led by the closure of disbursements towards supply chain finance and small ticket sized business loans. The AUM of the company recorded a Y-oY decline of 31 percent and stood at Rs. 526 crore as on March 31, 2024 as against Rs. 765.77 crore as on March 31, 2023. Further, profitability has seen a similar decrease due to significant decrease in AUM where PAT in FY24 stood at Rs. 20.53 Cr. and in FY 23 it was Rs. 33.11 Cr. which is a 38% decline Y-oY. Moreover, the profitability metrics as indicated by Return on Average Assets (ROAA) at 2.82 percent for FY24 as against 4.59 percent for FY23 has shown a similar decline as well. The shift in business strategy and vision towards retail loans (Prabhav Loans) has seen operating expenses in setting up this business line affect the firms profitability.

However these weaknesses are partially offset by the experienced management along with the support from resourceful promoters of Kejriwal Group. This support is shown via the adequate capitalisation levels at 51.90 percent with a tangible networth of Rs. 271.68 crore as on March 31, 2024. WCAPL has demonstrated a sound asset quality as reflected by the low Net Non-performing (NNPA) levels of 0.33 percent as on March 31, 2024 as against 0.68 percent as on March 31, 2023. Moreover, the substantial investment into the retail lending division is to yield returns as soon as the current financial year and therefore the performance of this development would be a key monitorable.

About the company

WCAPL 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered a standalone approach to the 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 and has received continuous support in the form of periodic capital infusion from the promoter group since its inception. 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 of WCAPL is able 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.

Healthy capital structure with stable 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 51.90 percent (Tier I: 50.72 percent) as on March 31, 2024. The same stood at 36.45 percent (Tier I: 35.25 percent) as on March 31, 2023. The company's capital structure is supported by a net worth of Rs. 271.68 crore as on March 31, 2024 and total debt of Rs. 328.45 Cr. resulting in a gearing of 1.21 times as on March 31, 2024 as against 1.93 times as on March 31, 2023 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 healthy gearing levels considering the additional borrowings.

Weakness

Deteriorating profitability and AUM levels.

The profitability of the company has deteriorated during FY24 reflected by Return on Average Assets (ROAA) at 2.82 percent for FY24 as against 4.59 percent for FY23. Such deterioration comes at the back of shift in strategy as investment and disbursements are now going towards retail loan financing following a complete closure of its supply chain business. This closure of the supply chain business has affected the AUM and the loan portfolio for FY24 as the supply chain business held around 33% of the total AUM and loan portfolio, which is why we can see that AUM has reduced from Rs. 765.77 Cr. in FY23 to Rs. 526 Cr. in FY24. The operating expenses to earning assets has decreased to 3.35 percent for FY24 as against 4.78 percent in FY23 majorly due to an increase in operating expenses towards Prabhav loans (retail loans) The profit after tax of the company stood at Rs. 20.53 crore for FY24 as against Rs. 33.11 crore for FY23. The Net interest margin improved by 4% to 10.60 percent for FY24 as against 10.24 percent for FY23. Acuité believes that going forward the ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

Moderate scale 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 48 months. WCAPL offers loan with ticket size ranging between Rs 2 lakhs to Rs 10 Cr. As on March 31, 2024 around 70 percent of the outstanding portfolio has a ticket size less than Rs. 1 crore. Going forward WCAPL would be focusing on granularity of the 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

- Efficient and Effective scale up of its retail lending arm
- Movement in asset quality and profitability metrics.
- Dilution in promoter shareholding & support.
- Movement in cost of borrowings and liquidity buffers
- Any adverse impact on disbursements and AUM led by regulatory changes on FLDG arrangements.

Liquidity Position

Adequate

WCAPL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2024. The company had cash and cash equivalents of Rs 99.50 crore and fixed deposits (held as security against borrowings) of Rs. 3.39 crore as on March 31, 2024.

Outlook: Negative

Acuité believes that the outlook of the company would remain 'Negative' on account of moderation in the Western Capital Advisors Private Limited's current financial position as indicated by the drop in AUM and Profitability where AUM in FY24 dropped to Rs. 526 Cr. from Rs. 765.77 Cr. in FY23 and PAT dropping from Rs. 33.11 Cr. in FY23 to Rs. 20.53 Cr. in FY24. The rating may be 'downgraded' contingent to the financial health of the WCAPL. Conversely, the outlook may be revised to 'Stable' in case the financial position of the WCAPL improves.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	622.80	834.38
Total Income*	Rs. Cr.	69.48	88.80
PAT	Rs. Cr.	20.53	33.11
Net Worth	Rs. Cr.	271.68	254.27
Return on Average Assets (RoAA)	(%)	2.82	4.59
Return on Average Net Worth (RoNW)	(%)	7.81	13.93
Debt/Equity	Times	1.21	1.93
Gross NPA	(%)	2.25	0.76
Net NPA	(%)	0.33	0.68

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>
- 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

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
07 Jul 2023	Term Loan	Long Term	10.00	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE A-	Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A-	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	44.28	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	6.25	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	17.50	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	11.91	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	6.62	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	22.92	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	9.16	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	7.69	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	14.80	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	14.62	ACUITE A-	Stable (Reaffirmed)
	Term Loan	Long Term	9.58	ACUITE A-	Stable (Reaffirmed)
02 May 2022	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE A-	Stable (Assigned)
	Term Loan	Long Term	10.83	ACUITE A-	Stable (Assigned)
	Term Loan	Long Term	27.50	ACUITE A-	Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE A-	Stable (Assigned)
	Proposed Long Term Loan	Long Term	96.67	ACUITE A-	Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A-	Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	81.21	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	18 Apr 2027	18.89	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Mar 2026	9.01	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	23 Dec 2025	12.49	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jan 2026	4.97	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2024	4.56	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Nabsamruddhi Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2024	2.76	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	02 May 2025	3.75	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	11.92	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	11.00	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Sep 2025	7.78	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jul 2026	20.00	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jun 2025	4.99	Simple	ACUITE A- Negative Reaffirmed Stable to Negative
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2025	6.67	Simple	ACUITE A- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

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