

Press Release

Protium Finance Limited (Erstwhile Growth Source Financial Technologies Private Limited)

July 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	300.00	ACUITE A+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	400.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 100.00 Cr. bank facilities of Protium Finance Limited (PFL) erstwhile Growth Source Financial Technologies Private Limited (GSFTPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 300.00 Cr. bank facilities of Protium Finance Limited (PFL) erstwhile Growth Source Financial Technologies Private Limited (GSFTPL). The outlook is '**Stable**'.

The rating continues to factor in PFL's experienced management, healthy capital structure and support from marquee investors. PFL is wholly owned subsidiary of Consilience Capital Management; funded and backed by marquee global investors. As on March 31, 2022, the company reported networth of Rs. 1,255.57 Cr. with Rs.379.37 Cr. of borrowings while its Capital Adequacy Ratio (CAR) stood at 80.59 percent. The rating takes into account the capital infusion of Rs. 760 Cr. in FY2022 from its existing investor Consilience Capital Management. The firm has invested around Rs. 1,255 Cr. in PFL since FY2019. The rating also factors in PFL's efficient risk management systems along with high level of digitation and collection processes as reflected in its on-time portfolio of 97.76 percent as on March 31, 2022 and overall average collection efficiency of 99.48 percent for 6 months ended March 31, 2022. While Acuite takes cognizance of subdued business volumes during Q1FY2022 on account of pandemic, the company's disbursements and collections have shown traction since July 2021. The company disbursed Rs. 1856 Cr. for FY2022 [FY2021: Rs.382.44 Cr.]. The rapid disbursements and branch expansion led to increase in loan portfolio to Rs.1415 Cr. as on March 31, 2022 from Rs. 321.16 Cr. as on March 31, 2021 and from Rs. 4.26 Cr. as on March 31, 2020. The demonstrated growth in loan portfolio and extensive experience of the management in financial services has enabled PFL recently, to raise funds from Banks at competitive rates of borrowing. The rating is constrained by limited track record and low portfolio seasoning (majority of portfolio origination taken place in FY2021 & FY2022). Further, the inherent risks of lending towards MSME segment. Going forward, the ability of the company to scale up its operations while maintaining profitability will be key credit monitorable.

About the company

Incorporated in 2019, Protium Finance Limited (PFL) erstwhile Growth Source Financial Technologies Private Limited (GFSTPL) is a Mumbai based NBFC engaged in lending secured and unsecured loans to SME, MSME and Consumer finance segments. The company is promoted by Consilience Capital Management and led by Mr. Peeyush Misra (Partner & Director) who has over 2 decades of experience in risk management and running global businesses. PFL operates through a network of 54 branches spread across 36 districts/cities and having a presence in 12 states. PFL has a borrower base of around 91,602 borrowers as on March 31, 2022.

Analytical Approach

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

Key Rating Drivers

Strength

- **Experienced management team; demonstrated support from marquee investors**

PFL extends secured & unsecured loans towards SME & MSME segments. The company also extends loss guaranteed MSME & consumer finance loans through their channel partners. PFL is promoted by Consilience Capital Management which is backed by marquee global investors. Over the past two years of operations, PFL has received continuous support in the form of periodic capital infusion from the promoter company and are expected to support the growth plans as and when required. Consilience Capital Management infused additional ~Rs. 760 Cr. in FY2022 in the form of Compulsory Convertible Preference Shares (CCPS) and have in total contributed around ~Rs. 1,255 Cr. in the form of equity and CCPS since FY2020. PFL is led by Mr. Peeyush Misra (Partner & Director) who has an experience spanning over two decades in risk management and running global businesses. He was earlier associated with Goldman Sachs (U.S.) as a Partner handling business including mortgages, asset backed securities, interest rate products amongst others. Mr. Peeyush is supported by other seasoned professionals like Mr. Gurvinder Juneja (ex-CFO Religare; ex-VP Corporate Finance ICICI Securities) acting as CFO & Director, having around 2 decades of experience in Indian capital markets. PFL has also on board Mr. P R Seshadri (ex- MD & CEO Karur Vysya Bank; ex CEO BFC Bank & Citi Financial Consumer Finance) and Mr. Praveen Kumar Gupta (ex-MD Retail & Digital Banking SBI) acting as Independent Directors bringing in over 3 decades of experience in financial services industry. The management team also comprises of professionals with experience in SME, Consumer, Retail lending, Treasury & Risk Management, Fintech and Investment Banking.

Acuite believes that PFL's business and credit profile over the near term will be supported by its ability to attract funding from diversified lenders/investors and confidence imposed by the investors in the business model of the company.

- **Healthy growth in AUM and sound asset quality**

PFL commenced its business in February 2020. Over the years the company has expanded its presence in 11 states with its network of 54 branches spread across 36 districts/cities. PFL has been identifying geographies suited to its loan products and expanding rapidly with opening new branches and engaging with channel partners. The company had a branch network of 54 branches as on March 31, 2022. The company's business sourcing model is a mix of branch led origination, via DSAs and via E-commerce partners whereby MSME loans are backed by FLDG. The company disbursed loans amounting to ~Rs. 382 Cr. in FY2021 and ~Rs. 1857 Cr. in

FY2022. The rapid branch expansion fuelled by disbursements has helped PFL to grow its loan portfolio to ~Rs. 1415 Cr. as on March 31, 2022, from ~Rs. 321 Cr. as on March 31, 2021, and ~Rs. 4 Cr. as on March 31, 2020. The growth in loan portfolio was primarily funded by capital funds deployed by the company and now PFL looks forward to diversify its funding mix by accessing funds from Banks and NBFC/FI's. PFL's healthy asset quality was marked by on-time portfolio at 97.76 percent and GNPA at 0.16 percent as on March 31, 2022. Overall average collection efficiency for 6 months ended March 2022 stood at 99.48 percent. Acuité expects PFL to maintain the growth momentum in a sustainable manner while diversifying its resource mix and maintaining asset quality.

Weakness

- **Susceptible to inherent risks amidst relatively low seasoned portfolio**

PFL commenced its lending operation in February, 2020 extending SME, MSME loans (secured against property) having an average tenure of upto 9 years. The company also extends unsecured MSME loans having shorter tenure upto 2 years. PFL's shorter duration loans also includes loss protected MSME and consumer finance loans through their channel partner having a tenure ranging 1.5-2 years. The company's loan book of Rs. 1415.12 Cr. as on March 31, 2022 has grown significantly from Rs. 312.16 Cr. as on March 31, 2021 and from Rs. 4.26 Cr. as on March 31, 2020. Due to substantial growth in loan book in the last year, majority of the portfolio has a seasoning of around one year as on March 31, 2022.

Around 53 percent of PFL's portfolio of Rs. 1415.12 Cr. as on March 31, 2022 accounts for MSME loans (secured against property) and ~30 percent towards unsecured MSME loans. PFL's overall credit profile is susceptible to concentration towards MSME loans which in turn are facing their own inherent risks and challenges. Further, since MSME loans are extended to self-employed individuals for business purposes, the serviceability of these loans is directly dependent on the level of economic activity in the region. The company's operations are fairly diversified in Maharashtra with ~29 percent followed by Delhi with ~16 percent of the overall outstanding portfolio as on March 31, 2022. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of PFL. Relatively low seasoning of portfolio with inherent risk associated with MSME lending might result in increased asset quality pressures due to current operating environment.

Acuité believes that the company's ability to maintain its asset quality given the low seasoned loan book and increased presence in the newer geographies will remain a key rating monitorable.

- **Modest profitability**

Given the nascent stage of company's operations, it reported modest profits of Rs. 13.96 Cr. during FY2022 [FY2021: Rs. 0.42 Cr.]. The profits have been supported by higher disbursements coupled with nil leverage. Going forward, the company's ability to attract debt funding at attractive rates, optimize its operating expenses while maintaining its growth trajectory shall be key monitorables.

Rating Sensitivity

- Movement in profitability metrics on continuous basis
- Growth in AUM while maintaining the asset quality
- Changes in regulatory environment

Material Covenants

None

Liquidity Position: Adequate

The company reported no negative cumulative mis-matches in near to medium term as per ALM statement dated March 31, 2022. PFL's liquidity position is adequate with cash & bank

balances of ~Rs. 301 Cr. The company's collections during February and March 2022 were ~98-99 percent of the scheduled collections.

Outlook - Stable

Acuité believes that PFL's credit profile will be supported by its experienced management, support from resourceful promoters' /investor base and healthy capitalisation level. The outlook may be revised to 'Positive' in case the company is able to scale up its loan book significantly while maintaining its asset quality and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in asset quality/ profitability metrics.

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	1842.02	542.80
Total Income*	Rs. Cr.	152.08	30.94
PAT	Rs. Cr.	13.96	0.42
Networth	Rs. Cr.	1255.57	485.23
Return on Average Assets (RoAA)	(%)	1.17	0.15
Return on Net Worth (RoNW)	(%)	1.61	0.17
Total Debt/Tangible Net Worth (Gearing)	Times	0.30	0.00
Gross NPA's	(%)	0.16	0.02
Net NPA's	(%)	0.04	0.01

*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

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2022	Term Loan	Long Term	50.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	50.00	ACUITE A+ Stable (Assigned)
	Proposed Bank Facility	Long Term	50.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	150.00	ACUITE A+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	58.22	ACUITE A+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE A+ Stable Assigned
Capital Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	23.79	ACUITE A+ Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	18-11-2021	Not available	03-12-2023	37.50	ACUITE A+ Stable Reaffirmed
Kotak Mahindra Investments Limited	Not Applicable	Term Loan	24-12-2021	Not available	22-12-2023	39.58	ACUITE A+ Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	31-12-2021	Not available	21-12-2024	140.91	ACUITE A+ Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	23-02-2022	Not available	Not available	26.25	ACUITE A+ Stable Assigned
Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	13.90	ACUITE A+ Stable Assigned
Bajaj Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	13.75	ACUITE A+ Stable Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A+ Stable Assigned
Suryoday Small Finance Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	20.00	ACUITE A+ Stable Assigned

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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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