

Press Release

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



September 19, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	400.00	ACUITE A+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	600.00	-	-
Total Withdrawn Quantum (Rs.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. 200.00 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. 400.00 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 disbursals 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 62 branches spread across 43 districts/cities and having a presence in 15 states. PFL has a borrower base of around 99,957 borrowers as on June 30, 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. 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 15 states with its network of 62 branches spread across 43 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 62 branches as on June 30, 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 monitorables.

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
- Movement 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. a

Outlook : Stable

Acuité believes that PFL's will maintain a stable outlook for the medium term, as the 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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (IND-AS) (Actual)	FY21 (IFRS) (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):

None

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jul 2022	Proposed Bank Facility	Long Term	1.10	ACUITE A+ Stable (Assigned)
	Proposed Bank Facility	Long Term	58.22	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	23.79	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	37.50	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	140.91	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	26.25	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	13.90	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	39.58	ACUITE A+ Stable (Reaffirmed)

	Term Loan	Long Term	13.75	ACUITE A+ Stable (Assigned)
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	15.64	ACUITE A+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	105.00	ACUITE A+ Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	18-11-2021	Not available	03-12-2023	33.33	ACUITE A+ Stable Reaffirmed
Kotak Mahindra Investments Limited	Not Applicable	Term Loan	24-12-2021	Not available	22-12-2023	35.42	ACUITE A+ Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	31-12-2021	Not available	21-12-2024	127.27	ACUITE A+ Stable Reaffirmed
Capital Small Finance Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	22.57	ACUITE A+ Stable Reaffirmed
Karnataka Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	50.00	ACUITE A+ Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A+ Stable Assigned
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A+ Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A+ Stable Assigned
CSB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	20.00	ACUITE A+ Stable Assigned
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	23-02-2022	Not available	Not available	23.75	ACUITE A+ Stable Reaffirmed

Hinduja Leyland Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	12.78	ACUITE A+ Stable Reaffirmed
Bajaj Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	12.50	ACUITE A+ Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	22.92	ACUITE A+ Stable Reaffirmed
Suryoday Small Finance Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	18.82	ACUITE A+ Stable Reaffirmed

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About Acuité Ratings & Research

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