

Press Release

Seeds Fincap Private Limited

October 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB Stable Reaffirmed	-
Non Convertible Debentures (NCD)	7.50	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	27.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BB' (read as ACUITE double B) on the Rs 20.00 Cr. bank facilities of SEEDS FINCAP PVT Ltd (SFPL). The outlook is 'stable'.

Acuite has assigned the long-term rating of 'ACUITE BB' (read as ACUITE double B) on the Rs 7.50 Cr. Proposed NCD facilities of SEEDS FINCAP PVT Ltd (SFPL). The outlook is 'stable'.

The rating factors in the company's experienced management team, sound asset quality and significant growth in AUM levels. The company's AUM grew to Rs 65.26 Crores as on March 31, 2022 as compared to Rs 0.30 Crores as on March 31, 2021. The increase in AUM was on account of healthy disbursements levels at Rs 70.44 Crores in FY2022 compared to Rs 0.30 Crores in FY2021. The rating further factors in comfortable asset quality metrics. SFPL's asset quality is marked by on-time portfolio of 100 percent as on March 31, 2022. The company has reported nil GNPA and NNPA as on March 31, 2022.

The rating is, however, constrained by SFPL's weak earnings profile and modest network base. The company profitability remained subdued with losses of Rs (6.64) Crores for FY22 and Rs (0.23) Crores in FY21. These losses are on account of the high operating expenses pertaining to increase in branch network. The rating also factors SFPL's geographically concentrated portfolio due to its limited track record of operations. (Uttar Pradesh contributing 48.69% of total AUM as on March 31, 2022). Acuite' believes that the company's ability to timely infuse capital, improvement in its network base and improvement in profitability metrics while keeping the momentum in growth of AUM and disbursements would be a key rating monitorable.

About the company

Incorporated in 2019, SEEDS FINCAP PVT LTD (SFPL) is a Delhi NCR based company registered as a non-deposit taking NBFC with RBI. The company has headquarters in Gurugram. SFPL is promoted by Mr Subhash Chandra Acharya as Managing Director & CEO and Mr Avishek Sarkar as a Whole-time director. SFPL is engaged in providing unsecured loans to people/enterprises living in Tier II, III & IV Cities. The company commenced its operations in

February 2021. The company has presence in three states Haryana, Rajasthan, and Uttar Pradesh with branch network of 24 branches as on March 31, 2022

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SEEDS FINCAP PRIVATE LIMITED to arrive at the rating

Key Rating Drivers

Strength

Experienced Management :

SFPL is engaged in extending unsecured loans to people and enterprises in Tier II, III and IV cities for income generating activities. It operates in states of Haryana, Rajasthan, and Uttar Pradesh with a branch network of 24 branches. SFPL is headed by Mr Subhash Chandra Acharya as a Managing Director-CEO, Mr Avishek Sarkar as a Whole Time Director and Mr Sudhindra Kumar Sharma as an Executive director. The management team has an extensive experience of over a decade in the financial industry. The promoters are supported by seasoned professionals in day-to day activities.

Acuité believes that company's growth prospects will be supported by the promoter's experience in this industry

Healthy AUM growth while maintaining Asset Quality;

The company's loan portfolio outstanding as on March 31, 2022 grew significantly to Rs. 65.26 Cr as on March 31, 2022 as compared to Rs. 0.30 Cr as on March 31, 2021. The company majorly disburses loans to entrepreneurs in income generation activities, with ticket size ranging between Rs 50,000 to 2 lakhs. The average tenure of these unsecured loans range between 19 to 24 months. SFPL has demonstrated sound asset quality marked by on-time portfolio of 100 percent as on March 31, 2022. The company majorly disburses loans to entrepreneurs in income generation activities, with ticket size ranging between Rs 50,000 to 2 lakhs. The average tenure of these unsecured loans range between 19 to 24 months. SFPL has demonstrated sound asset quality marked by on-time portfolio of 100 percent as on March 31, 2022.

Acuité believes that SFPL's ability to grow its loan book while maintaining sound asset quality level in the near to medium term will be key rating monitorable.

Weakness

Subdued profitability metrics:

SFPL was incorporated in 2019 and began its operations from Delhi in February 2021. The company's operations are spread across 3 states, with the major exposure in state of Uttar Pradesh (48.69% of the POS). The company with an objective to increase its borrower base, expanded their branch network from 2 as on March 31, 2021 to 24 as on March 31, 2022. This expansion resulted in high operating expenses leading to subdued profitability metrics. The company reported losses to tune of Rs 6.64 Cr for FY22 against losses of Rs 0.23 Cr in FY21. SFPL's ability to scale up its operations while maintaining its profitability metrics would be a key rating monitorable.

Modest capital structure:

SFPL offers loans for Trading, Agriculture & Dairy, Manufacturing & Production and Services which account for approximately 58.07%, 21.08%, 10.65%, 6.65% respectively of the portfolio. The company's capital structure is marked by Networth of Rs 23.18 Cr. as on March 31, 2022 and total debt of Rs 53.69 Cr. resulting in debt/equity ratio of 2.32 times. There has been capital infusion of Rs 27.69 Crs during FY2022 resulting in networth of Rs 23.18 Crs in FY2022 from Rs 2.32 Crs in FY2021. Acuité believes that the company's ability to mobilize low cost funds in the form of equity and debt to expand its scale of operation would be a key monitorable.

Rating Sensitivity

- Movement in asset quality metrics
- Movement in profitability metrics

- Movement in liquidity buffers
- Changes in regulatory environment

Material Covenants

SEEDS is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position

Adequate

As per ALM statement as on March 31, 2022, SFPL has no negative cumulative mismatches in any buckets upto 1 years. As per ALM Statement dated March 31, 2022, around Rs. 38.42 Cr. ~72 percent of borrowings mature till 1 years against Rs. 25.27 Cr. ~49.26 percent of total advances in same period. SFPL's is able to maintain its monthly collection efficiency at the range of 100 percent. SFPL's maintained cash and bank balances of ~Rs. 21.30 Cr. inclusive of bank deposits of Rs 18.93 crs. Acuite believes that the SFPL's has adequate liquidity to meet its debt obligation in near to medium term.

Outlook : Stable

Acuite believes that SFPL will maintain 'Stable' outlook over the near to medium term owing to the experience of promoters. The outlook may be revised to 'Positive' in case SFPL 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 faced in scaling up operations, resource raising ability and in case the company faces higher than expected asset quality pressures or deterioration in profitability parameters.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22	FY21
		(Actual)	(Actual)
Total Assets	Rs Cr	78.84	2.27
Total Income	Rs Cr	3.76	0.14
PAT	Rs Cr	-6.64	-0.23
Net worth	Rs Cr	23.18	2.12
Return on Average Assets (ROAA)	%	-16.38	-10.63
Return on Average Net worth (RoNW)	%	-52.5	-11.12
Debt/Equity	Times	2.32	0.02
Gross NPA	%	0	0
Net NPA	%	0	0

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
29 Sep 2022	Proposed Bank Facility	Long Term	17.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB 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	17.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Secured Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB Stable Assigned
DCB Bank Limited	Not Applicable	Term Loan	30-05-2022	Not available	31-07-2024	3.00	ACUITE BB Stable Reaffirmed

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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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