

Press Release

Seeds Fincap Private Limited

May 18, 2023



Rating Upgraded

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

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from **ACUITE BB (Read as ACUITE Double B)** on the Rs 20.00 Cr. bank facilities (including the proposed facilities) of Seeds Fincap Private Limited (SFPL). The outlook is 'stable'.

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from **ACUITE BB (Read as ACUITE Double B)** on the Rs 7.50 Cr. Proposed Non Convertible Debentures of Seeds Fincap Private Limited (SFPL). The outlook is 'stable'.

Rationale for upgrading the rating

The rating considers the company's experienced management team, sound asset quality, and significant growth in AUM levels in FY23. The company's AUM grew to Rs. 208.15 Cr as on March 31, 2023, compared to Rs. 65.26 Cr as on March 31, 2022. It has been increased due to the healthy disbursement levels at Rs 213.27 Crore in FY2023 compared to Rs 70.44 Crore in FY2022. The rating further factors the comfortable asset quality indicators - marked by on-time portfolio of 99.8% percent as on March 31, 2023. Reportedly, the company's GNPA and NNPA are nil as on March 31, 2023.

The rating, however, continues to remain constrained by SFPL's weak earnings profile, modest network base, and its nascent stage of operation. The company's profitability remained restrained with losses of Rs (3.43) Crore for FY23 and Rs (6.64) Crore in FY22. These losses are on account of the high operating expenses pertaining to increase in branch networks. The rating also factors SFPL's geographically concentrated portfolio due to its limited track record of operations. (Uttar Pradesh contributing 54% of total AUM as on March 31, 2023).

Acuite believes that the company's ability to timely infuse capital, improved network base, and improvement in the 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 Private Limited (SFPL) is a RBI registered non- deposit taking NBFC with its headquarters in Gurugram (Delhi). The company is currently Promoted by Mr Subhash Chandra Acharya as the CEO and Managing Director, and Mr Avishek Sarkar as

a whole-time Director. They are engaged in providing unsecured loans to people/enterprises living in Tier II, III & IV Cities. It commenced its operations in February 2021, and currently operating in Haryana, Rajasthan, Uttar Pradesh, Bihar, and Uttarakhand with 54 branches as recorded on March 31, 2023

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. It operates in five states with branch networks of 54 branches. The company is headed by Mr Subhash Chandra Acharya as the Managing Director-CEO, Mr Avishek Sarkar as the Whole Time Director, and Mr Sudhindra Kumar Sharma as the Executive director, supported by the seasoned professionals for the daily operations. The management has an extensive experience of over a decade in the industry.

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 significantly registered a growth Rs. 208.15 Cr on March 31, 2023, compared to Rs. 65.26 Cr as on March 31, 2022. The company extends loans to entrepreneurs, with ticket sizes ranging between Rs 50,000 to 2,50,000. 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 99.8 percent as on March 31, 2023.

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

Weakness

Subdued profitability metrics:

SFPL was incorporated in 2019, and it is operating from Delhi since February 2021. The company is spread across 5 states, with the major exposure in state of Uttar Pradesh (54% of the portfolio o/s). The company expanded their branch network from 24 in March 31, 2022, to 54 in March 31, 2023, as to improve it's borrower base. This expansion resulted in high operating expenses primarily driven by staff expenses leading to subdued profitability metrics. The company reported losses to the tune of Rs 3.43 Cr in FY23 against the losses of Rs 6.64 Cr in FY22. 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, Services and Consumer loan & MFIs which account for approximately 56.97%, 9.06%, 9.92%, 5.32%, 18.73% respectively of the portfolio. The company's capital structure is marked by Networth of Rs 37.5 Cr. as on March 31, 2023 and total debt of Rs Cr. 132.04 resulting in debt/equity ratio of 3.52 times. There has been capital infusion of Rs 17.7 Cr during FY2023 resulting in networth of Rs 37.5 Crore in FY2023 from Rs 23.18 Cr in FY2022

Rating Sensitivity

- Movement in asset quality metrics.
- Movement in the profitability metrics.
- Movement in liquidity buffers.
- Changes in regulatory environment.

Material Covenants

SFPL 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, 2023, SFPL has no negative cumulative mismatches in any buckets upto 1 years. As per ALM Statement dated March 31, 2023, around Rs. 80.78 Cr. ~61 percent of borrowings mature till 1 years against Rs. 82.03 Cr. ~55 percent of total advances in same period. SFPL's is able to maintain its monthly collection efficiency at the range of 99.79 percent. SFPL's maintained cash and bank balances of ~Rs.7.84. Acuité believes that the SFPL's has adequate liquidity to meet its debt obligation in near to medium term.

Outlook: Stable

Acuité 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	FY23 (Provisional)	FY22 (Actual)
Total Assets	Rs. Cr.	176.68	78.84
Total Income*	Rs. Cr.	19.88	3.76
PAT	Rs. Cr.	-3.43	-6.64
Net Worth	Rs. Cr.	37.56	23.18
Return on Average Assets (RoAA)	(%)	-2.68	-16.38
Return on Average Net Worth (RoNW)	(%)	-11.29	-52.5
Total Debt/Tangible Net worth (Geraing)	Times	3.52	2.32
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

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
04 Oct 2022	Proposed Non Convertible Debentures	Long Term	7.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	17.00	ACUITE BB Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Cash Credit	12 Aug 2022	13.65	12 Aug 2023	Simple	1.00	ACUITE BB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	8.75	ACUITE BB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Secured Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BB+ Stable Upgraded
RBL Bank	Not Applicable	Term Loan	12 Aug 2022	13	12 Nov 2023	Simple	0.93	ACUITE BB+ Stable Upgraded
A U Small Finance Bank	Not Applicable	Term Loan	19 Jan 2023	16	19 Jul 2024	Simple	4.44	ACUITE BB+ Stable Upgraded
Shivalik Small Finance Bank	Not Applicable	Term Loan	24 Mar 2023	14	24 Apr 2024	Simple	3.00	ACUITE BB+ Stable Upgraded
DCB Bank Limited	Not Applicable	Term Loan	30 May 2022	14	31 Jul 2024	Simple	1.88	ACUITE BB+ Stable Upgraded

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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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