



Press Release
Seeds Fincap Private Limited
December 04, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB+ Stable Reaffirmed	-
Non Convertible Debentures (NCD)	7.50	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	32.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) on the Rs 25.00 Cr. bank facilities (including the proposed facilities) of Seeds Fincap Private Limited (SFPL). The outlook is ‘**Stable**’.

Acuite has reaffirmed the long-term rating to ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) on the Rs 7.50 Cr. Non Convertible Debentures of Seeds Fincap Private Limited (SFPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating continues to factor in the company’s experienced management team, sound asset quality, and healthy growth in AUM levels in FY24. The company’s AUM grew to Rs. 328.50 Cr. as on March 31, 2024 and saw a further increase to Rs 356.39 Cr. for Q2FY2025, compared to Rs. 208.15 Cr. as on March 31, 2023. It has increased due to the healthy disbursement levels at Rs 294.73 Crore in FY2024 compared to Rs 213.27 Crore in FY2023. The rating further factors the comfortable asset quality indicators - marked by on-time portfolio of 98.75% percent as on March 31, 2024. Reportedly, the company's GNPA is 0.35 percent and NNPA is nil as on March 31, 2024. The rating additionally factors in the equity infusion of Rs 40 Cr. in June 2024 by existing and new investors.

The rating, however, continues to remain constrained by SFPL’s weak earnings profile and its nascent stage of operation. The company's profitability remained restrained with losses of Rs (3.63) Crore for FY24 and Rs (3.97) Crore in FY23. 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 52% of total AUM as on September 30, 2024).

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 90 branches as recorded on March 31, 2024 and 118 branches as on September 2024.

Unsupported Rating

Not Applicable

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 eight states with branch networks of 118 branches. The company is headed by Mr Subhash Chandra Acharya as the Managing Director-CEO and Mr Avishek Sarkar as the Whole Time Director are 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. 328.50 Cr. on March 31, 2024, compared to Rs. 208.15 Cr. as on March 31, 2023. The company extends loans to entrepreneurs, with ticket sizes ranging between Rs 50,000 to 10,00,000. The average tenure of these loans range between 19 to 36 months. SFPL has demonstrated sound asset quality marked by on- time portfolio of~ 99 percent as on March 31,2024. For Q2FY25, the company had an AUM of Rs 356.39 Cr.

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 8 states, with the major exposure in state of Uttar Pradesh (54% of the portfolio o/s). The company expanded their branch network from 54 in March 31, 2023, to 90 in March 31, 2024, to 118 in September 2024 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 3.63 Cr. in FY24 against the losses of Rs 3.97 Cr. in FY23. 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 54%, 11%, 9%, 5% , 20% respectively of the portfolio. The company's capital structure is marked by Networth of Rs 64.69 Cr. as on March 31, 2024 and total debt of Rs Cr. 302.08 resulting in debt/equity ratio of 4.67 times. There has been capital infusion of Rs 32 Cr. during FY2024 and another infusion of Rs 40 Cr. in Q1 FY2025 resulting in a networth of Rs 104.78 Cr. for Q1FY2025 from Rs 64.69 Cr. in FY 2024.

Rating Sensitivity

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

Liquidity Position

Adequate

As per ALM statement as on March 31, 2024, SFPL has no negative cumulative mismatches in any buckets upto 1 years. SFPL's is able to maintain its monthly collection efficiency at the range of ~97 percent. SFPL's maintained cash and bank balances of Rs.79.24 Cr. Acuité believes that the SFPL's has adequate liquidity to meet its debt obligation in near to medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	373.84	190.73
Total Income*	Rs. Cr.	36.07	20.10

PAT	Rs. Cr.	(3.63)	(3.97)
Net Worth	Rs. Cr.	64.69	37.02
Return on Average Assets (RoAA)	(%)	(1.29)	(2.95)
Return on Average Net Worth (RoNW)	(%)	(7.14)	(13.19)
Total Debt/Tangible Net worth (Geraing)	Times	4.67	3.96
Gross NPA	(%)	0.35	0.00
Net NPA	(%)	0.00	0.00

*Total income equals to Net Interest Income plus other income.

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
17 May 2024	Non-Convertible Debentures (NCD)	Long Term	7.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.11	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	13.13	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.38	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.52	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.61	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.25	ACUITE BB+ Stable (Reaffirmed)
18 May 2023	Term Loan	Long Term	1.88	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	8.75	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Secured Non-Convertible Debentures	Long Term	7.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.93	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	4.44	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
04 Oct 2022	Term Loan	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	17.00	ACUITE BB Stable (Reaffirmed)
	Proposed Secured Non-Convertible Debentures	Long Term	7.50	ACUITE BB Stable (Assigned)
29 Sep 2022	Term Loan	Long Term	3.00	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	17.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE0K2Q07015	Non-Convertible Debentures (NCD)	30 Sep 2022	16.50	07 Mar 2025	7.50	Simple	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.35	Simple	ACUITE BB+ Stable Reaffirmed
Shivalik Small Finance Bank	Not avl. / Not appl.	Term Loan	24 Mar 2023	Not avl. / Not appl.	25 May 2025	0.96	Simple	ACUITE BB+ Stable Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	15 Jan 2024	Not avl. / Not appl.	15 Jan 2026	10.00	Simple	ACUITE BB+ Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	29 Dec 2023	Not avl. / Not appl.	29 Dec 2025	4.69	Simple	ACUITE BB+ Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Nattasha Venkatesh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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