

Press Release
Wegrow Financial Services Private Limited
December 11, 2023
Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-------------------|
| Bank Loan Ratings | 30.00 | ACUITE BB+ Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 30.00 | - | - |

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** to the Rs. 30.00 crore bank facilities of WeGrow Financial Services Private Limited. The outlook is **'Stable'**.

Rationale for the rating:

The rating assigned factors in the extensive experience of the management in the microfinance industry and stable asset quality. The company's board comprises of directors with over 3 decades of experience. The asset quality of the company remained stable with Gross NPA of 0.33 percent and Nil NPA reported as on Jun-23. As the portfolio grows, the credit quality remains susceptible to risks due to the lending segment. The rating however, remains constrained by modest capital structure and geographical concentration risks. The company's gearing levels increased to 4.77x as on Mar-23 from 2.45x as on Mar-22. The company has presence in 2 states with highest concentration in West Bengal (~92 percent), and Bihar (~8 percent) of total portfolio as on June 30, 2023. Going forward, Acuite believes that the ability of the company to scale up the book while maintaining asset quality and capital structure would be a key rating monitorable.

About the company

West Bengal based WeGrow Financial Services Private Limited is a non-deposit taking NonBanking Financial Company – Micro Finance Institution (NBFC-MFI). The Company is engaged in providing microloans and is currently managed by Ms. Anuradha Gupta, Mr. Bishwajit Das, Mr. Rahul Johri, Mr. Mrinal Kanti Mandal, Ms. Tumpa Das and Mr. Chitta Ranjan Barai as directors.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of WFSPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management

The company is promoted by Mr. Bishwajit Das (MD & CEO) who has over 3 decades of experience in the microfinancing segment. The board is comprised of 6 directors including 1 independent director and 3 non-executive directors. The board is supported by include Ms. Anuradha Gupta (non-executive director) (ex CGM SBI with over 37 years of experience), Mr. Mrinal Kanti Mandal (non-executive director) (ex-General manager NABARD with over 30

years of experience). The extensive experience of the management and the board has helped the company to grow to an AUM of Rs. 59 Cr. as on Jun-23 (Rs. 48 Cr. as on Mar-23 and Rs. 22.55 Cr. as on Mar-22).

Acuité believes that WFSPL's business profile will be supported by its experienced promoter base and will be able to leverage their expertise to raise funding and grow its loan book.

Stable asset quality; limited seasoning of the book

The company started lending operations in FY2020. The company's asset quality is stable as marked by GNPA of 0.33 percent and Nil NNPA as on Jun-23. The provisioning remains 100 percent. As the portfolio grows, the credit quality remains susceptible to risks due to the lending segment. Nevertheless, the granularity of the book mitigates the risks to some extent.

Weakness

Modest capital structure

The networth of the company stood at Rs. 7.08 Cr. as on Jun-23 with CRAR of 26.11 percent. (Rs. 6.84 Cr. and 21.71 percent as on Mar-23). Due to increase in borrowings, the gearing moderated to 4.77x as on Mar-23 from 2.45x as on Mar-22. (4.12x as on Jun-23). Acuité believes that the company's credit profile will remain susceptible to its ability to raise capital and external funding at competitive rates in order to support its growth objective.

Risk inherent to microfinance segment; geographical concentration risks

The activities of microfinance companies like WFSPL are exposed to concentration risks. The company has presence in 2 states with highest concentration in West Bengal (~92 percent), and Bihar (~8 percent) of total portfolio as on June 30, 2023. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework, thereby impacting the credit profile of WFSPL. Acuité believes that constraining additional slippages while maintaining the growth in the loan portfolio will be crucial.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in profitability metrics
- Scaling up of operations
- Ability to raise equity capital

All Covenants

WFSPL 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 dated Mar-23, there are no negative cumulative mismatches upto 1 year bucket. The average collection efficiency for current month due stood at an average of 98 percent for 6 months ending Aug-23. The company is in talks with SIDBI, Indian Overseas Bank, Union Bank of India and Bangiya Grameen Bikash Bank for new sanctions in FY24.

Outlook: Stable

Acuité believes that WFSPL will maintain a 'Stable' outlook over the medium term supported by its extensive experience of the management in the microfinance segment. The outlook may be revised to 'Positive' in case of higher-than-expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY23 (Actual) | FY22 (Actual) |
|------------------------------------|---------|------------------|------------------|
| Total Assets | Rs. Cr. | 40.12 | 22.94 |
| Total Income* | Rs. Cr. | 4.05 | 1.80 |
| PAT | Rs. Cr. | 0.33 | 0.31 |
| Net Worth | Rs. Cr. | 6.84 | 6.51 |
| Return on Average Assets (RoAA) | (%) | 1.06 | 1.98 |
| Return on Average Net Worth (RoNW) | (%) | 5.01 | 4.95 |
| Debt/Equity | Times | 4.77 | 2.45 |
| Gross NPA (On-book) | (%) | 0.26 | 0.26 |
| Net NPA (On-book) | (%) | 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>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.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, Acuite 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 :

Not Available

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|----------------------------------|------------------|----------------|----------------|------------------|-------------------|--------------------------------|
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Simple | 7.00 | ACUITE BB+ Stable Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 12.10 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 2.49 | ACUITE BB+ Stable Assigned |
| Union Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 4.02 | ACUITE BB+ Stable Assigned |
| Indian Overseas Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 4.39 | ACUITE BB+ Stable Assigned |

Contacts

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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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