



Press Release
Wegrow Financial Services Private Limited
December 12, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating:

The rating reaffirmed 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 1.54 percent and Net NPA of 0.26 percent as on September 30, 2024. 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 2.66 x as on Sep-24 from 3.94 x as on Mar-24. The company has presence in 2 states with highest concentration in West Bengal (~92 percent), and Bihar (~8 percent) of total portfolio as on Mar 31, 2024. 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. The company is based in Kolkata, West Bengal, and began its operations in 2019.

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 (Chairman & MD) who has over 3 decades of experience in the microfinancing segment. The board is comprised of 6 directors including one independent director and 3 non-executive directors. The board is supported by 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. 94.59 Cr. as on September 30,2024 (on book of Rs. 24.87 Cr. and off book of Rs. 69.71 Cr. as on Mar-24).

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 1.54 percent and NNPA of 0.26 percent as on September 30, 2024. 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. 10.78 Cr. as on Sep-24 with CRAR of 41.01 percent. The gearing improved to 2.66 x as on Sep-24 from 3.99 x as on Mar-24. (4.77x as on Mar-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 Mar 31 2024. 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

Liquidity Position

Adequate

As per ALM statement dated Sep-24, there are no negative cumulative mismatches upto 1 year bucket. The average collection efficiency for current month due stood at an average of 95 percent for 6 months ending Jun-24.

Outlook:Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	45.58	40.11
Total Income*	Rs. Cr.	8.06	4.06
PAT	Rs. Cr.	1.27	0.33
Net Worth	Rs. Cr.	9.12	6.84
Return on Average Assets (RoAA)	(%)	2.96	1.06
Return on Average Net Worth (RoNW)	(%)	15.89	5.02
Debt/Equity	Times	3.94	4.77
Gross NPA (On-book)	(%)	0.67	0.25
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, 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	
11 Dec 2023	Term Loan	Long Term	12.10	ACUITE BB+	Stable (Assigned)
	Term Loan	Long Term	2.49	ACUITE BB+	Stable (Assigned)
	Term Loan	Long Term	4.02	ACUITE BB+	Stable (Assigned)
	Term Loan	Long Term	4.39	ACUITE BB+	Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	7.00	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	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.07	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2025	1.30	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2025	4.04	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2026	4.95	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2026	3.51	Simple	ACUITE BB+ Stable Reaffirmed
Bandhan Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2025	2.00	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2025	1.32	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2025	2.78	Simple	ACUITE BB+ Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2025	3.03	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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