



Press Release
BRANCH INTERNATIONAL FINANCIAL SERVICES PRIVATE LIMITED
May 30, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	80.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	80.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 80.00 Crore bank facilities of Branch International Financial Services Private Limited (BIFSPL). The outlook is '**Stable**'.

Rationale for rating

The assigned rating factors in the company's experienced promoters, sound asset quality and comfortable capitalisation. The promoters of the company have helped build a scalable business model with technology driven digital lending platform which has aided the company to grow its scale of operations where the company made disbursements of Rs 1,286.51 Cr. in 9MFY24 as against Rs 909 Cr. in FY23. The rating also factors in the regular capital infusion by the promoters with the latest infusion of ~Rs 20 Cr. being received in May' 2024. The rating also factors in the sound asset quality with NIL GNPA and NNPA as on Dec 2023 largely on account of write offs. The company has comfortable capital structure marked with net worth of Rs 96.10 Cr. and Total debt of Rs 136.95 Cr. resulting in gearing of 1.43 times as on Dec'23. These strengths are partially offset by moderate scale of operations and concentrated funding profile. BIFSPL's AUM remained moderate though improving from Rs 141.33 Cr. as on Mar'23 to Rs 357.9 Cr. as on Feb'24, this growth was owing to the uptick in the disbursements growing from Rs 909 Cr. in FY23 to Rs 1771.13 Cr. in 11MFY24. The funding profile of the company remains concentrated with the company's borrowing mostly being through external NBFCs, consisting of term loans and NCDs.

Acuite believes the ability of BIFSPL to profitably scale up its portfolio while maintaining robustness of its technology platform given the evolving nature of FinTech model is a key monitorable.

About the company

Mumbai based Branch International Financial Services Private Limited was incorporated in the year 2017 and is engaged in the business of providing unsecured personal loans through mobile based application. Mr. Matthew Joseph Flannery and Mr. Neeraj Gupta are the directors of the company.

Unsupported Rating

Not applicable.

Analytical Approach

Acuité has taken Standalone approach to assess the BIFSPL.

Key Rating Drivers

Strength

Comfortable Capitalization and gearing

BIFSPL is a wholly owned subsidiary of Branch International Inc, USA, which has been able to raise more than 100 million dollars from global investors since 2015. BIFSPL has received capital infusion in regular intervals from its parent company with the recent infusion being of Rs 20 Cr in May'24. The company has comfortable capital structure marked with net worth of Rs 96.10 Cr and Total debt of Rs 136.95 Cr resulting in gearing of 1.43 times as on Dec'23. Capital adequacy profile of the company remains comfortable with the overall capital adequacy ratio (CAR) of 35.90% as on Feb 2024.

Acuite expects BIFSPL's capital structure and business to continue to benefit from fund raising ability from investors.

Technology driven scalable business mode

BIFSPL follows digital lending model with majority of credit underwriting process performed digitally over in-house technology platform "Branch", owned by parent company, Branch International which leverages self-learning algorithm. This enables the company to achieve scalability in business at a faster pace with well-defined risk and rule engines continuously monitoring asset quality metrics.

Moderate Asset Quality

BIFSPL reported NIL GNPA and NNPA as on Dec 2023 largely on account of write offs. However, the slippages in softer buckets 1+dpd upto 90 dpd remain moderate accounting to ~18 percent of the AUM. As the company writes off the loans that slip into the 90+dpd bucket the asset quality remains healthy but due to the write offs the credit costs remain on the higher side for the company and hence any slippages from the softer buckets could impact the credit profile of the company.

Acuite believes the ability of BIFSPL to contain asset quality risks through efficient underwriting and collection given the inherent nature of the portfolio and evolving data analytics and machine learning will be crucial.

Weakness

Moderate scale of operations and low track record.

BIFSPL commenced its operations in 2019 in and its Assets Under Management (AUM includes on book and off book exposure) has grown to Rs 357.97 Cr. as on Feb, 2024 from ~Rs.141 Cr. as on March 31, 2023. this growth was owing to the uptick in the disbursements growing from Rs 909 Cr in FY23 to Rs 1771.13 Cr in 11MFY24. The company is yet to establish a track record with most of the AUM build up and disbursements has been in the recent years, though the loan book has completed few cycles as the average tenure of the loans are six months the loan book remains modest at Rs 357.97 cr as on 11MFY24.

Concentrated funding profile and Evolving nature of fintech business model; technology and regulatory risks

As of Feb, 2024, the company's borrowing is mostly through external NBFCs, consisting of term loans and NCDs. However, the company has received disbursement from a bank in last quarter of FY24 and is in process of on boarding few more banks as lenders in the FY2025. Given that the digital lending particularly in B2C segment is evolving and innovative technology is the backbone of fintech business model, the company is exposed to technology risks encompassing data security, privacy and technology failure. Since all the business functions including data storage, disbursals and collections is done digitally, any breach shall expose the company to cyber events and liabilities arising thereon. Also, the company is also exposed to evolving regulatory developments given that the fintech business model is at nascent stage.

Rating Sensitivity

- Promoter/ investor support
- Significant and sustained increase in AUM
- Movement in profitability and asset quality metrics
- Capitalisation and liquidity buffers
- Changes in Regulatory environment

Liquidity Position

Adequate

BIFSPL reported adequate liquidity profile as on Dec, 2023 with no negative cumulative mismatches in near to medium term. BIFSPL's cash and cash equivalents stood at Rs.15.63 crore as on Feb, 2024.

Outlook: Stable

Acuité believes that BIFSPL will maintain 'Stable' outlook over the near to medium term on account of support from experienced promoters and comfortable capitalisation levels. The outlook may be revised to 'Positive' in case BIFSPL demonstrates significant and sustainable growth in its scale of operations while improving profitability and mitigating asset quality risks. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of any sharp deterioration in asset quality and profitability levels.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	156.06	107.20
Total Income*	Rs. Cr.	147.64	64.13
PAT	Rs. Cr.	22.87	(25.27)
Net Worth	Rs. Cr.	51.10	12.20
Return on Average Assets (RoAA)	(%)	17.37	(33.41)
Return on Average Net Worth (RoNW)	(%)	72.25	(101.76)
Total Debt/Tangible Net worth (Gearing)	Times	1.30	5.46
Gross NPA	(%)	0.34	0.00
Net NPA	(%)	0.25	0.00

*Total income equals to Total Income net off interest expense

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>
- 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: Not Applicable

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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	72.08	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	28 Sep 2023	Not avl. / Not appl.	25 Sep 2025	Simple	7.92	ACUITE BBB- Stable Assigned

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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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