Grow Money Capital Private Limited

September 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	100.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Grow Money Capital Private Limited (Grow Money Capital or Company) is based on the experience of the management in wholesale lending, adequate capitalisation levels, improving profitability profile with Return on Total Assets (RoTA) of 5.96% in FY24 and diversified resource profile.

However, these rating strengths are partially offset by relatively modest scale of operations, relatively higher incremental cost of funds as compared to peers and limited geographical diversification with company operating in 4 states/ UTs as on March 31, 2024.

Going forward, the company's ability to profitably scale up the business while maintaining healthy asset quality will remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively lead to positive rating action/upgrade:

- Significant growth in the loan portfolio while maintaining profitability
- Significant improvement in the net worth position to fund future growth

Negative factors: Factors that could, individually or collectively lead to negative rating action/downgrade:

- Deterioration in profitability with respect to return on total assets (RoTA) declining below 3.50%
- Deterioration in gearing level to more than 3x

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that company will continue to grow its operations while maintaining asset quality and diversity in the portfolio

Detailed description of the key rating drivers
Key strengths

Increasing scale of operations, albeit low seasoning on retail lending

The company is promoted by CA Manoj Kumar Bansal who is a seasoned chartered accountant having experience of over 2 decades in finance and consulting profile and also served as a regional council of Northern India Banking and Financial Institutions Committee. He is also the managing director of the company and has been in the wholesale lending business since 6 years. More than 85% stake, directly & indirectly, is held by the promoters i.e through its group & related companies.

Grow Money Capital's loan portfolio consists of direct lending in the form of wholesale lending to NBFCs (31.8% of AUM), retail lending in the form of Loan against property (LAP) (8.1% of AUM) and MSME loans (10.6% of AUM) and lending through tie-ups with various business correspondence (BC) partners (50.2% of AUM) for supply chain financing, vehicle financing, LAP and MSME loans. The company was initially engaged in wholesale lending and later forayed in retail lending through the BC partners in 2022, which is sourced directly through the BC partners with an aggregate AUM of Rs. 278.8 crore as on March'24.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The company has a growing scale of operations with assets under management (AUM) growing at a CAGR of 33% and currently stands at Rs. 555.59 crore as on Mar'24 as against Rs. 221.62 crore in FY21 and Rs. 516.42 crore in FY23.
With the company's increased focus towards retail lending in MSME and LAP segment since FY21, the proportion of MSME and LAP financing has increased to 38.8% as on March 2024 from 13.5% as on March 2022. Considering sizeable disbursements in LAP and MSME loans have happened in recent quarters through sourcing from BC partners, the seasoning needs to be monitored and any change or delay in renewal of the agreements with the BC partners may considerably impact company's revenue-generating ability.

Healthy profitability profile
The company has a healthy profitability profile. The Profit After Tax (PAT) has been increasing over the years, from Rs. 13.3 crores (RoTA of 4.67%) in FY22 to Rs. 24.1 crores in FY23 (RoTA of 5.35%) and further to Rs. 34.6 crores (RoTA of 5.96%) in FY24. The profitability was also supported by improvement in yield on advances which increased from 16.45% in FY23 to 22.03% in FY24 with the rising share of retail lending in the portfolio while cost of funds moderately increased from 10.32% in FY23 to 10.46% in FY24 leading to improvement in spreads by 5.44%. Due to improved yields, the Net Interest Margins (NIM) improved from 9.33% in FY23 to 14.22% in FY24.

Due to rise in scale of business from BC in the overall portfolio in FY24, the net commission expenses increased from Rs. 0.6 crore to Rs. 16.48 crore forming 2.84% of the average total assets in FY24. Further, Due to rise in employee benefit expenses and expansion of business in FY24, the opex (as a % of total assets) (excluding commission expenses) hiked from 1.37% in FY23 to 2.39% in FY24.

CARE Rating expects the company to maintain healthy profitability with controlled credit costs.

Comfortable capitalisation profile
The company has been maintaining a comfortable capital adequacy over the years, largely through accretion of profits (average 3-year RONW: 20.6%) and its ability to raise capital at regular intervals. The company reported a capital adequacy ratio (CAR) of 35.94% with Tier-I CAR of 34.10% as on March 31, 2024, as compared to CAR of 31.81% with Tier-I CAR of 29.90% as on March 31, 2023, having comfortable cushion over the minimum regulatory requirement of 15% for CAR. The AUM/ Tangible Networth of the company stands at 2.94x in FY24 as compared to 3.13x in FY23 reflecting a stable financial risk profile. Further, on book gearing of the company remain comfortable at 1.79x in FY24, declining from 2.12x in FY23 due to rise in tangible networth owing to net profits in FY24.
CARE Ratings expects the gearing levels to remain below 3x on a steady state basis in the medium term.

Diversified resource profile
Grow Money Capital has a diversified resource profile having tie ups with 7 banks and 15 NBFCs and has raised funds through various modes including term loans from banks (24.69% as on Mar'24), term loans from NBFCs (41.39% as on Mar'24), NCDs (16.99% as on Mar'24) and overdraft facility (1.31% as on Mar'24).
The average cost of funds for the company is 10.46% while the incremental cost of funds for FY24 and Q1FY25 are relatively high at 12.39% and 11.91% respectively.
CARE Rating notes that while the company is in the process of raising funds from several banks and NBFCs, the ability to raise sufficient additional capital at competitive cost remains a key monitorable.

Key weaknesses

Moderate asset quality, albeit increasing
The company has maintained asst quality under control over the years, though some increase was seen in FY24 due to slippage of a wholesale account.
As on March 31, 2024, the company has reported an increased GNPA% of 1.91% as on March 31, 2024 vis-à-vis 0.25% as on March 31, 2023 (on 90+ dpd recognition norm) with an NNPA% of 0.77% as on March 31, 2024 as against 0.16% as on March 31, 2023 due to increased slippages. Provision coverage ratio for NPA stood comfortable at 60.36% as on March 31, 2024, as compared to 35.66% as on March 31, 2023. Asset quality remained comfortable in retail loan segment due to risk sharing and FLDGs with the BC partners.

Geographical concentration
The company has a concentrated geographical profile with presence in 4 states as on Mar'24 i.e. Delhi, Uttar Pradesh, Rajasthan and Haryana with 49 branches as on March 2024. Further, Delhi has the highest share of AUM concentration of 88.9% as on March 2024 as all the disbursements in case of wholesale lending and retail lending through BC partners happens through Delhi, irrespective of the customer location.
CARE Ratings expects Grow Money Capital to operate in similar geography over the medium term, where it plans to expand its market presence by opening new branches.

Liquidity: Adequate

As per ALM statement as on March 31, 2024, there are positive cumulative mismatches across all the time buckets. Also, as per the ALM statement, the company has advances of up to one year of ₹445 crore as against debt of up to one year of ₹ 136.27 crore. Also, Grow Money Capital has adequate liquidity with cash and cash equivalents of Rs. 9 crore as on March'24. This provides a liquidity cover of 31% for the debt repayments amounting to ₹29 crore due for the next three months.

Applicable criteria

[Definition of Default](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios - Financial Sector](#)
[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Grow Money Capital Private Limited (GMCPL or Grow Money or company) (earlier known as Eclear Leasing & Finance Private Limited) was incorporated on May 31, 1995 and has been registered as non-deposit accepting Non-Banking Finance Company (NBFC) with the Reserve Bank of India (RBI) on April 16, 2004. The company was promoted by Mr. Manoj Kumar Bansal and Ms. Neeru Bansal. The operations of the company commenced in November 2018 with wholesale lending carried out directly through a network of 49 branches in 4 states/ UTs. The sourcing, underwriting and collections for wholesale lending are managed by Grow Money.

Further, in July 2022, the company has entered into business correspondence (BC) partnership with various digital lending partners and NBFCs for lending in retail segment consisting of MSME loans, loan against property (LAP), gold loan, vehicle loans, supply chain finance, housing finance, fintech loans and other personal loans.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	40.61	78.19	141.80
PAT	13.29	24.07	34.6
Interest coverage (times)*	2.24	2.21	2.27
Tangible Net-worth	141.04	164.92	197.86
Total Assets	336.47	562.68	597.91
Net NPA (%)	0.73	0.16	0.77
ROTA (%)	4.67	5.35	5.96

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	NA	100.00	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	100.00	CARE BBB; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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