

Svamaan Financial Services Private Limited

March 23, 2021

Ratings

Facilities	Amount (Rs. Crore)	Rating*	Rating Action
Bank facilities-Fund based-LT-Term loan	100.00 (Rupees Hundred Crore only)	CARE A-; (Stable) (Single A Minus; Outlook-Stable)	Assigned

**Details of instruments/facilities in Annexure-1*
Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Svamaan Financial Services Private Limited (SFSPL) derives support from its Founder and Director Mrs. Anushree Jindal and strong parental support provided by its promoter, Mr. Parth Jindal who is also leading JSW Group entities, along with financial, operational & managerial support from the group. Mr. Parth Jindal controls Ambit Operations & Management Services Pvt. Ltd (100% held by Mr. Parth Jindal) which is the holding company of SFSPL. The rating also factors in the core management team that has wide experience in the financial service sector coupled with adequate capitalization supported by expected regular capital infusion.

The rating, however, is constrained by moderately diversified geographical presence and modest track record of about 2 years. The rating also takes cognizance of the risks associated with the micro- finance business such as socio & political intervention and regulatory risks. However, the rating takes comfort from SFPL's plans to further diversify in other geographies. Continued support & financial commitment from the promoter, and growth in business and profitability will remain a key monitorable.

Covid-19 impact

The company had built a modest portfolio of Rs. 45.4 crore across two states of Maharashtra and Karnataka as of March 31, 2020, which marked the beginning of nationwide lockdown due to COVID-19 pandemic. The company launched its operations in Eastern India across the 4 states of Bihar, Chhattisgarh, Jharkhand and Uttar Pradesh with a view to diversify the presence and portfolio in the latter half of FY21. Also, majority of the customers are engaged in Agriculture and allied activities, whose operations were only moderately impacted during Covid. As a result, the company was able to achieve relatively higher collection efficiency above 96% during peak COVID periods as well. As on January 31, 2021, the collection efficiency stood at 98% with restructured portfolio being merely 0.6%. On the borrowings side, the company did not approach any lender for moratorium.

Rating Sensitivities

Positive factors- Factors that could lead to positive rating action/upgrade.

- Sustained improvement in scale of operations along with improvement in profitability.

Negative factors- Factors that could lead to negative rating action/downgrade

- Any moderation in expected support or dilution in the stake of promoter/group
- Deterioration in asset quality leading to substantial increase in credit cost thereby impacting the profitability and capitalization levels.
- Increase in overall gearing levels beyond 6 times

Detailed description of the key rating drivers
Key Rating Strengths
Strong parentage with financial and managerial support from the promoters

SFSPL was founded by Mrs. Anushree Jindal in 2017 with an aim to promote financial inclusion and to drive socio-economic well-being of women and micro enterprises across India. She is also one of the Director on the board of SFSPL. As on December 31, 2020, Mr. Parth Jindal controls Ambit Operations & Management Services Pvt. Ltd which is the holding company of SFSPL. Mr. Parth Jindal, who is leading JSW Group entities is currently the MD of JSW Cement, JSW Paints as well as Director of JSW Ventures and JSW USA. He is also one of the Directors on the board of SFSPL.

The Company has received equity infusion of Rs.39 crore since its inception of which Rs.14 crore was received in FY20 and Rs.15 crore from the period April 2020 to January 2021. Promoters are committed to infuse capital at regular intervals to scale up the business as required.

Experienced management team

SFPL is backed with strong and experienced team headed by Mr. G Kiran Kumar, who is the Director and CEO, has extensive financial services expertise across commercial banking, fin-tech and banking operations. The company also has extensively

experienced people on its board such as, Mr. Pradeep Kumar (ex MD and Group Executive of Corporate Banking at State Bank of India) and Mr. Kantilal Patel (Joint MD & CEO of JSW Holdings Ltd) who have extensive experience in the financial sectors.

Adequate capitalization supported by regular capital infusion and strong ability to raise funds from diverse sources

Since inception, the promoter has infused around Rs.39 crore and commits to infuse capital at regular intervals to boost the growth of the business. The company plans to grow as an organic business which would require funding at regular intervals. The CAR ratio as on December 31, 2020, stood at 21.58% and Tier 1 CAR was at 20.62%. The company shall continue to maintain CAR at more than 20% in short term. In addition, the company has access to diverse sources of funds at competitive rates in view of the strong promoter backing.

Key rating weakness

Moderate track record in the microfinance sector

SFSPL is registered with RBI as a Non-Banking Finance Company-Microfinance Institution. It was Incorporated on October 31st, 2017 and commenced its operations from January 2019 across Maharashtra and Karnataka. As on December 31, 2020, SFSPL operates through 60 branches serving 34,534 borrowers. The company incurred a loss of Rs.8 crore during 9MFY21 (FY20: loss of Rs.9 crore) on account of high operating expenses since the company expanded its operations from 30 branches as on March 31, 2020 to 60 branches as on December 31, 2020. Total operating expenses stood at Rs.13 crore during 9MFY21 (FY20: Rs.12 crore) and is expected to increase in FY22 as well to support the business expansion. The total loan book of the company has grown from Rs.1.15 crore in FY19 to Rs.45 crore in FY20. During 9MFY21, it stood at Rs.71 crore. CARE expects the company will continue to grow its loan book rapidly during FY22. However, the operating and interest expense to support such expansion is likely to put a downward pressure on the profitability in the short to medium term.

The company has built a strong risk management framework with detailed assessment of credit risk, geographical concentration and assessment of the various operating and political risks in microfinance sector with a view to maintain good asset quality profile. As on December 31, 2020, GNPA stood at 0.04% albeit on a limited track record.

Susceptibility of business on account of event based risk

SFSPL is engaged primarily in providing micro finance services to women who are enrolled as members and organized as Joint Liability Group (JLG) in the rural areas. The company's business operations are highly susceptible to event based risks like socio-political intervention, climate change, regulatory risk and natural calamities since the borrowers are likely to be affected under these circumstances. Also being an unsecured portfolio, there is no recourse available to the company in case of default by the borrowers. Conservative approach in lending, diversification of portfolio and awareness among the borrowers are the key measures that can help the MFI entities to mitigate such risks. In this case, the company's collection efficiency and ability to diversify the portfolio geographically will remain a key monitorable.

Geographically concentrated portfolio; albeit some improvement in diversification

The company had initially started its operations in the state of Maharashtra and Karnataka. Currently, SFSPL operates through 60 branches in 33 districts spanning across 6 states. As on December 31, 2020, it is present in Maharashtra (56%), Karnataka (28%) and Eastern regions of Bihar (8%), Jharkhand (5%), Uttar Pradesh(2%) and Chattisgarh (2%) thus indicating the efforts of the company to diversify.

Analytical approach: CARE has analyzed the standalone business and credit profile of the company along with its strong linkages with the JSW group in the form of financial and managerial support.

Applicable Criteria

[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Non-Banking Finance Companies \(NBFCs\)](#)

[Financial ratios – Financial sector](#)

[Factoring Linkages](#)

About the Company

Svamaan Financial Services Private Ltd (SFSPL) was incorporated on October 31st, 2017 and its operations commenced from January 2019. SFSPL is registered as NBFC-MFI with RBI w.e.f. September 2018. Mrs. Anushree Jindal is the founder and director of SFSPL. The company aims to promote financial inclusion and drive socio-economic well-being of women and micro-enterprise across India.

The company is engaged primarily in providing micro finance services to women who are enrolled as members and organized as Joint liability group (JLG). In addition to the core business of providing micro-credit, the Company also provides other

financial products and services to the members. It typically offers lending through three products: income generation loans, supplementary income generation loans and consumer durable loans. It caters to the customer segments which are financially underserved in the rural areas. The company had initially started its operations in the state of Maharashtra and Karnataka. However, the company has expanded its reach and has its presence in 60 branches spread across 6 states- Maharashtra, Karnataka, Bihar, Chhattisgarh, Jharkhand and UP;

The company had a tangible net-worth of Rs.15 crore and total portfolio stood at Rs.71 crore as on December 31, 2020.

Svamaan Financial Services Private Limited

Brief Financials (Rs. crore)	FY19(A)	FY20 (A)	9MFY21 (P)
Total income	0.39	4.90	9.20
PAT	-3.75	-9.15	-8.05
Tangible Net-worth	5.29	10.04	15.30
Total Assets	6.79	53.09	82.80
NIM (%)*	6.05	7.82	8.33
Gearing ratio (times)	NA	4.01	4.16

A: Audited P: Provisional

*annualized

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bank facilities-Fund based-LT-Term loan	-	-	-	10.00	CARE A-;Stable
Proposed- Bank facilities- Fund based-LT-Term loan	-	-	-	90.00	CARE A-;Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1	Bank facilities-Fund based-LT-Term loan	LT	100.00	CARE A-; Stable	-	-	-	-

Annexure-3: Complexity level of various instruments rated for this company

Sr. No	Name of Instrument	Complexity Level
1.	Bank Facilities	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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