Svamaan Financial Services Private Limited (Revised)

September 23, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	250.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**250.00 (₹ Two Hundred Fifty Crore Only)**		
Non Convertible Debentures	50.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	**50.00 (₹ Fifty Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities and long-term debt instrument of Svamaan Financial Services Private Limited (SFSPL) continue to derive 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 ratings also factor in the core management team that has wide experience in the financial service sector coupled with adequate capitalization supported by regular capital infusion.

The ratings, however, are constrained by moderately diversified geographical presence and modest track record of about 3.5 years. The ratings also take 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 key monitorable.

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 and has been onboarded as MD on April 1, 2022. As on June 30, 2022, 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, JSW Sports and JSW USA. He is also one of the Directors on the board of SFSPL.

The Company has received equity infusion of Rs. 87.03 crore since its inception in October 2017, of which Rs. 31 crore was received in the period between September 2021 to June 2022. Promoters are committed to infuse capital at regular intervals to scale up the business as required.

Experienced management team

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

SFSPL is backed by strong and experienced team headed by Mr. G Kiran Kumar, who is the Director and CEO, and has extensive financial services expertise across commercial banking, fin-tech and banking operations. The company also has seasoned people on its board such as Mr. Kantilal Patel (Ex-Joint MD & CEO of JSW Holdings Ltd) who have extensive experience in the financial sectors. Further, they have recently onboarded Mr. Venkat Nageshwar Chalasani as independent director, who is Ex-DMD, International Banking Group and CFO of State Bank of India.

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

Since inception, the promoter has infused around Rs.87.03 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 June 30, 2022, stood at 20.57% (FY22- 19.18 %) and Tier 1 CAR was at 19.60% (FY21-18.26%). 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 performance of loan portfolio through Covid period and strong promoter backing. The company has managed to raise funds from around 27 lenders which includes private banks, public sector banks, small finance banks and NBFC's and funding relationship with other new lenders are expected to be initiated.

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 June 30, 2022, SFSPL operates through 89 branches. During Q1FY23, the company reported YTD PBT of 0.76 crore in June 30, 2022 for the first time. The company incurred an operational loss of Rs.2.26 crore during FY22 (FY21: loss of Rs. 10.25 crore) on account of high operating expenses since the company expanded its operations from 61 branches as on March 31, 2021, to 76 branches as on March 31, 2022 and also due to increase in interest expense as a result of increase in borrowings. Total operating expenses stood at Rs.21.14 crore during FY22 (FY21: Rs. 17.29 crore) and is expected to increase in FY23 as well to support the business expansion. Interest expense saw a spike from Rs. 6.46 crore in FY21 to Rs. 15.64 crore in FY22. SFSPL saw a quick growth for FY22 despite Covid related disruptions albeit on a low base.
During FY22, the company reported PAT for the first time on account of deferred tax benefit. PAT stood at Rs.1.42 crore in FY22 as against a loss of Rs. 10.06 crore in FY21. The total loan book of the company has grown from Rs. 95.41 crore in FY21 to Rs. 261.03 crore in FY22. As on June 30, 2021, it stood at Rs.305.64 crore.
The company has built a strong risk management framework with detailed assessment of credit risk, geographical concentration, and assessment of various operating and political risks in microfinance sector with a view to maintain good asset quality profile. As on June 30, 2022, GNPA stood at 0.57% (FY22- 0.59%) 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 89 branches in 49 districts spanning across 6 states.
As on June 30, 2022, it is present in Maharashtra (36.8%), Karnataka (31.5%) and Eastern regions of Bihar (17.8%), Jharkhand (6.9%), Uttar Pradesh (3.6%) and Chhattisgarh (3.4%). The company is planning to further bring down the exposure in the state of Maharashtra and will focus on increasing its presence in other states like Karnataka, Bihar, Uttar Pradesh and Jharkhand. Further, the company has also entered Orissa state during Q2FY23.

Liquidity: Adequate

As per the ALM statement submitted by the company as on June 30, 2022, there was no negative cumulative mismatches in any of the time bucket. As on August 31, 2022, the company had cash and bank balances of Rs. 25.55 crore along with sanctioned but undrawn lines of Rs. 285 crore as against the debt obligations of Rs. 49.05 crore for next 3 months.

Analytical approach: *Standalone, along with factoring linkages with the group in the form of continued financial and managerial support in normal course of business as well as in the event of distress.*

Applicable criteria

Policy on default recognition

Factoring Linkages Parent Sub JV Group

Financial Ratios - Financial Sector

Rating Outlook and Credit Watch

Non Banking Financial Companies

Policy on Withdrawal of Ratings

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 and has been onboarded as MD from April 1, 2022. 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 89 branches spread across 6 states- Maharashtra, Karnataka, Bihar, Chhattisgarh, Jharkhand and UP as on June 30, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(P)
Total operating income	14.58	37.82	17.27
PAT	-10.05	1.42	3.36
Tangible Networth	20.20	48.94	61.70
Total Assets**	115.65	301.27	338.09
MIM (%)	7.79	7.74	10.13*
Gearing ratio (times)	4.49	4.93	4.27

A: Audited P: Provisional
*annualized **Gross Total Assets
NIM has been calculated on average total assets.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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	-	-	-	31/7/2024	182.5	CARE A-; Stable
Fund-based- LT- Term Loan (Proposed)	-	-	-	NA	67.50	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	30.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	2.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.10	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.20	CARE A-; Stable
Debentures-Non Convertible Debentures	INE622Z07025	07/12/2021	12.75%	31/12/2024	0.20	CARE A-; Stable
Debentures-Non Convertible Debentures (Proposed)	-	-	-	-	17	CARE A-; 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	250.00	CARE A-; Stable	-	1)CARE A-; Stable (28-Sep-21)	1)CARE A-; Stable (23-Mar-21)	-
2	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	1)CARE A-; Stable (28-Sep-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
I. CAR	Minimum CRAR of 17.5%
II. Gearing	The ratio of financial indebtedness to Tangible Networth shall not exceed 5.1x times
B. Non-financial covenants	
I. Rating covenant	There would be a step-up in coupon to the extent of 25 bps for every notch downgrade in the rating of the instrument (vis-à-vis the initial rating) applicable from the date of such downgrade until such event is cured.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

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

Note on 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.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Niketa Kalan
Phone: +91-22-6754-3456
E-mail: Niketa.Kalan@careedge.in

Relationship contact
Name: Saikat Roy
Phone: +91-98209 98779
E-mail: saikat.roy@careedge.in

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.

For the detailed Rationale Report and subscription information, please visit www.careedge.in