Moneywise Financial Services Private Limited (Revised)

September 29, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	100.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE A; Stable (Single A; Outlook: Stable)
Total Bank Facilities	**100.00 (Rs. One Hundred Crore Only)**		
Non-Convertible Debentures	100.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE A; Stable (Single A; Outlook: Stable)
Total Long Term Instruments	**100.00 (Rs. One Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings for instruments/bank facilities of Moneywise Financial Services Private Limited (Moneywise) takes into consideration the moderation in the asset quality metrics and profitability profile of the company. The rating continues to remain constrained on account of moderate seasoning of its portfolio and its susceptibility to borrower concentration risk. The rating revision also factors in the change in the analytical approach to, standalone factoring in linkages with parent group; from the previous rating approach wherein, assessment of Moneywise was based on the combined view with its parent entity; SMC Global Securities Ltd (SMC) and subsidiaries of SMC (together called the SMC Group).

The ratings continue to factor in the experienced promoters and management team, strong support of the group which has long track record of operations in the financial services industry, with well-established brand and market position, wide franchisee network and large client base and diversified product profile leading to diversified earnings of the group.

The ratings are also supported by adequate risk management systems in place and comfortable gearing levels, adequate liquidity position and well diversified portfolio with large retail customer base of Moneywise.

Going forward, continued parentage of SMC, Moneywise's ability to profitably grow its operations while limiting credit losses, maintaining comfortable capital structure and liquidity position will be key rating monitorable.

Rating Sensitivities

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

- Profitable scale up of operations while maintaining comfortable asset quality on a sustained basis.
- Raise funding from diverse sources at competitive costs

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

- Any major change in the shareholding pattern of the company
- Significant deterioration in asset quality
- Weakening of financial risk profile, coupled with increase in gearing levels beyond 4 times

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team and long track record of operations with established brand of Group

The group is promoted by first generation entrepreneurs, Mr. Subhash C. Aggarwal (Chairman and MD) and Mr. Mahesh C. Gupta (Vice-Chairman and MD). Both the promoters are Chartered Accountant by qualification and have more than 40 years of diverse experience in financial services and securities market. SMC has a strong and experienced Board of 12 members, including 6 Independent Directors. SMC group is well supported by a strong management team having rich experience in their respective fields to support the various businesses. Mr. Himanshu Gupta, non-executive director on the Board of SMC is the Director and CEO of Moneywise Financial Services Pvt. Ltd.

SMC was incorporated in December 1994 and has more than two and half decades of track record of operations in the equity broking business. The group diversified into commodity broking in 2003, insurance broking in 2006 and NBFC business in 2008. Over the years, the group has established its brand in the financial services space. The flagship company of the group, SMC global also got listed on NSE and BSE in FY21.

Diversified portfolio across products albeit changing product mix with focus on secured lending

The loan book of the company is well diversified across products. Incrementally the company is focusing on increasing the granularity by growing the SME lending portfolios led by secured products that form about 55% of AUM as on June 30, 2021. As on June 30, 2021, the book comprised of SME-Unsecured working capital loans (39%), SME- Secured LAP (24%), SME-Asset Finance (8%), Retail lending through onward lending to NBFCs (18%), Capital market finance (7%) and consumer durable (4%). Moneywise has a customer base of more than 25,000 with AUM of Rs.579 crore as on Mar 31, 2021.

Comfortable capitalization and gearing levels

The capitalization profile of Moneywise continues to be comfortable with Tier-I CAR and overall CAR at 57.41% and 58.20% respectively as on March 31, 2021, and 60.33% and 61.73% respectively as on June 30, 2021, well above the regulatory minimum requirement of 10% and 15% respectively. The capitalization profile is supported by regular support from the parent (SMC) and positive internal accruals. The tangible net worth of the company increased to Rs.334.9 crore as on March 31, 2021, from Rs.318.7 crore as on March 31, 2020 on account of positive internal accruals.

As a result, the overall gearing of Moneywise is comfortable at 0.67 times as on March 31, 2021, as against 0.54 times as on March 31, 2020. On consolidated basis, the gearing of the group stood at 0.67 times as on March 31, 2021 as against 0.40 times as on March 31, 2020.

Adequate risk management systems

The company has well documented risk management framework. There is Risk Management Committee of the Board which is responsible for identifying the risk and setting up processes to mitigate the risk. There is independent risk management teams and department for evaluation, monitoring and mitigation of various types of risk, viz. market risk, credit risk, operational risk, etc. supported by experienced risk management professionals. The company has also deployed its in-house developed Loan Operating System (LOS).

Key Rating Weaknesses

Moderation in asset quality

The asset quality of Moneywise moderated in FY21 with rise in absolute GNPA and NNPA to Rs.35.74 crore and Rs.20.39 crore respectively as on March 31, 2021 from Rs.21.15 crore and Rs.12.30 crore respectively as on March 31, 2020. The asset quality was also impacted on account of covid 19 induced disruptions. The increase is absolute GNPA is on account of fresh slippages of Rs.34.99 crore during the year. As a result, the GNPA and NNPA ratio stood at 6.17% and 3.52%

respectively end March-21, up from 4.22% and 2.46% respectively end March-20. Also, the GNPA as on March-21 includes one restructured account of Rs.7.72 crore, adjusted for that, the GNPA and NNPA would be 4.8% and 2.32% respectively as on March 31, 2021.

Moneywise reported an improvement in its asset quality in Q1FY22 with reported GNPA and NNPA ratio at 4.75% and 3.05% respectively end June 30, 2021. The absolute GNPA and NNPA reduced to Rs.26.41 crore and Rs.16.96 crore respectively as on June 30, 2021 from March 31, 2021 levels. The decline in absolute GNPA was mainly on account of write offs of Rs.8.3 crore and recoveries of Rs.5.7 crore in Q1FY22. Adjusted for restructured book, the GNPA is 3.3% end June 30, 2021.

Also, Moneywise had restructured accounts (under RBI covid restructuring norms) close to Rs.23 crore end March-21.

The provision coverage ratio (PCR) marginally improved to 42.9% end March 31, 2021 from 41.8% as on March 31, 2020. Further, the Net NPA/Tangible net worth ratio of the company deteriorated to 6.1% as on March-21 from 3.9% as on March-20.

Given the limited track record and moderate seasoning of book across macro-economic cycles, the ability of Moneywise to profitably scale up the businesses while maintaining asset quality across business and economic cycles would be a key rating sensitivity.

Moderation in profitability profile of Moneywise in FY21

There has been moderation in the profitability profile of moneywise in last two years as Moneywise reported net profit of Rs.16.4 crore on total income (net of interest expense) of Rs.62.4 crore in FY21 as against PAT of Rs.18.5 crore on total income (net of interest expense) of Rs.60.7 crore in FY20. The overall net profits were down 8% Y-o-Y and RoTA moderated to 2.96% in FY21 as against 3.38% end FY20. This was mainly on account of y-o-y rise in credit cost to Rs.21.3 crore in FY21 as against Rs.12.5 crore in FY20. As a result, the credit cost/average total assets of Moneywise increased to 3.84% end March31, 2021 as against 2.29% end March 31, 2020. Also, the company registered 7% Y-o-Y decrease in total income to Rs.82.1 crore in FY21.

The moderation in profitability was on account of slower book growth coupled with asset quality stress that led to higher provisioning costs due to covid-19 induced disruptions. The AUM of Moneywise stood at Rs.579 crore as on March 31, 2021, up from Rs.502 crore as on March 31, 2020. The majority of the growth in FY21 happened in Q3 and Q4 of FY21, which led to lower interest income and hence also impacted the profitability.

At group level, the PAT stood at Rs.100.1 crore on total income of Rs.901.6 crore during FY21 as against PAT of Rs 23.8 crore on total income of Rs 784 crore during FY20.

Going forward, company's ability to maintain its asset quality and control its credit costs will be critical for its profitability profile.

Moderate seasoning of lending book and high borrower concentration risk

SMC Group commenced lending business in 2008 and there has been a significant change in product characteristics during the last 2-3 years in order to improve diversification (mainly reducing the ticket size as the company became more retail focused). The seasoning of loan portfolio, though moderate, has been on an improving trend and the loan book is under second credit cycle for many loan products.

The top ten borrowers constituted 19% of the loan book as on June 30, 2021, and hence the borrower concentration continues to be high, though a declining trend is seen over the past few years. Further, almost 37% of the portfolio as on March 31, 2021, entails loans of ticket size more than Rs.5 crore which mainly includes secured loan book like loans to other NBFCs, loan against property, machinery loan. The concentration is expected to reduce further with company's focus on retail loans. The ability of Moneywise to maintain asset quality in the existing segments and reduce the share of larger ticket size loans (ticket size > Rs.5 crore) lending segment would be crucial going ahead.

Moderate albeit improving borrowings profile

Moneywise had outstanding borrowings of Rs.223 crore as on March 31, 2021, up from Rs.181 crore as on March 31, 2020. Of the total borrowings as on March 31, 2021, Rs.100 crore (45%) was in the form of non-convertible debentures, Rs.94 crore (42%) was in the form of loans from banks, Rs.30 crore (13%) was loans from related party as against 49% in the form of borrowing from banks, 40% in the form of NCDs and 11% in the form of borrowings from related parties as on March 31, 2020.

The company has got borrowings from 10 banks/Financial Institutions as on March 31, 2021 vis-à-vis 5 banks/FIs as on March 31, 2020.

Liquidity Position: Adequate

Liquidity profile of Moneywise is adequate on the back of positive cumulative mismatches in all the time buckets as per Asset Liability Maturity (ALM) statement dated March 31, 2021, and comfortable capital structure as on June 30, 2021 with overall CAR at 61.73%. Moneywise also benefits from the parentage of SMC which along with other group entities has invested capital and also extended loans (Rs.30 crore as on March 31, 2021) to Moneywise which are largely revolving in nature. For one year (till March 31, 2022), the company has debt repayments to the tune of Rs.114 crore against which, there will be scheduled inflow from its lending operations of close to Rs.377 crore. Additionally, Moneywise had cash and equivalents of Rs 9 crore and committed but undrawn bank lines of another Rs 21 crore end June 30,2021.

Analytical approach: Standalone

CARE had earlier assessed the credit profile of Moneywise on combined basis with its parent SMC, however the approach has been revised to standalone, with factoring in linkages with the parent entity, SMC Global Securities Limited.

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
Rating Methodology: Notching by factoring linkages in Ratings

About the Company (Moneywise)

Moneywise Financial Services Private Limited is a wholly owned subsidiary of SMC Global Securities Limited and is registered with RBI as an NBFC-ND. Moneywise started operations in 2008 and is operating through 7 branches and has a client base of 25,000+ across India. The loan book of Moneywise stood at Rs.579 crore as of March 31, 2021 and Rs.558 crore as on June 30,2021. The company has an employee base of 149.

Moneywise (Standalone)

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
	INDAS	*IND AS*
Total Operating income	87.92	82.13
PAT	18.53	16.41
Interest coverage (times)	2.47	3.40
Total Asset#	517.60	589.43
Net NPA (%)	2.46	3.66
RoTA (%)@	3.38	2.96
CAR (%)	62.84	58.20

A: Audited

#Note: Total Assets is calculated after excluding intangible assets and deferred tax assets

@ROTA: Calculated as percentage of average of opening and closing assets

About Parent: SMC Global Securities Limited (SMC)

SMC Global Securities Limited (SMC), a Delhi based stock Broking Company which was incorporated on December 19, 1994 and is the flagship company of the SMC group. The group is one of the oldest integrated capital market intermediaries in the financial sector engaged in the diversified businesses of broking (equity, currency and commodities), discount brokerage, arbitrage trading, lending operations (NBFC), third party product distribution (Mutual Funds, Debt, IPOs, fixed deposit etc), Insurance broking, depository services, portfolio management services (PMS), wealth management, real estate advisory etc. SMC has a unique client base of over 19 lacs pan-India with presence in over 550+ Cities in India through a network of over 95 branches, 3,650+ employees, 2500+ Sub-brokers, 13,670+ Independent Distributors and 1 overseas office in Dubai.

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: *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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	-	100.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE956L07027	25-09-2019	9.50%	25-09-2022	25.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE956L07035	25-09-2019	9.75%	25-09-2024	25.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE956L07043	11-09-2020	9.50%	11-03-2022	25.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE956L07050	10-11-2020	9.50%	10-05-2022	25.00	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based-Long Term	LT	100.00	CARE A-; Stable	-	1)CARE A; Stable	1)CARE A; Stable	1)CARE A; Stable (05-Sep-18)

						(01-Mar-21)	(02-Mar-20)	
2.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	1)CARE A; Stable (01-Mar-21)	1)CARE A; Stable (02-Mar-20) 2)CARE A; Stable (13-Jun-19)	-
3.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	1)CARE A; Stable (01-Mar-21) 2)CARE A; Stable (12-Aug-20)	-	-

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

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

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

Annexure 5: Bank Lender Details

Click here to view Bank Lender Details

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. 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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