

January 23, 2024^(Revised)

Billionbrains Garage Ventures Private Limited: [ICRA]AA- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]AA- (Stable); assigned
Total	-	

*Instrument details are provided in Annexure I

Rationale

For arriving at the rating, ICRA has considered the consolidated financials of Billionbrains Garage Ventures Private Limited (BGV) while factoring in the support it is expected to provide to its associate¹ – Groww CreditServ Technology Private Limited (GCS; the non-banking financial company (NBFC) arm of the Group²). BGV owns and operates the web and application-based technology platform ‘Groww’. Its subsidiary, Nextbillion Technology Private Limited (NBT; rated [ICRA]A1+), is a leading discount broker and enjoys the highest market share, in terms of National Stock Exchange (NSE) active clients as of November 30, 2023.

The assigned rating factors in BGV’s strong market position in the securities broking industry, comfortable capitalisation with sizeable, consolidated net worth and nil gearing, healthy profitability with an improving trajectory, and strong liquidity. The Group benefits from NBT’s leading position in the equity broking segment. NBT, operating under the brand ‘Groww’, has emerged as one of the leading discount brokers in India as it made substantial client additions since FY2022 amid industry tailwinds and record retail investor participation in capital markets.

NBT is a subsidiary of BGV (which owned 99.99% stake in NBT as of December 31, 2023), which is owned by Groww Inc. USA (the ultimate parent with 99.99% shareholding as of December 31, 2023). NBT is the Group’s flagship operating entity and a key contributor to BGV’s income stream for services offered. The growth in BGV’s standalone earnings profile is largely attributable to NBT’s improving earnings trajectory. On a standalone basis, BGV reported profit after tax (PAT) of Rs. 396.6 crore on a NOI of Rs. 1,005.2 crore in FY2023 (return on net worth; RoNW of 14.9%) compared to a loss of Rs. 240.9 crore on a NOI of Rs. 178.3 crore in FY2022. On a consolidated basis, BGV reported PAT of Rs. 448.8 crore on a NOI of Rs. 1,419.5 crore in FY2023 (RoNW of 17.0%) compared to a loss of Rs. 239.0 crore on a NOI of Rs. 418.4 crore in FY2022. NBT remains a key contributor to the standalone as well as consolidated profits of BGV. BGV’s standalone and consolidated profitability was on an improving trajectory in H1 FY2024 supported by healthy client additions (since FY2022) resulting in improvement in broking income amid strong performance of domestic capital markets.

BGV’s consolidated net worth stood at Rs. 2,856.9 crore³ as on March 31, 2023 and remains comfortable for the current scale of operations and the near-term growth plans. There were no borrowings outstanding as of September 30, 2023, at the Group level. ICRA notes that the Group has initiated diversification into other lines of businesses, which would require capital outlay in the near-to-medium term (especially in the Group’s NBFC business housed in GCS). Nonetheless, the capital position is expected to remain comfortable, notwithstanding the proposed capital infusion to incubate the new businesses.

The above positives are, however, offset by the high dependence of revenues on capital markets as the Group is in the nascent stage of diversifying into other business segments. Capital markets are inherently volatile and cyclical in nature and the

¹ BGV held 22% stake in GCS as of September 30, 2023, which subsequently increased to 51% in January 2024. Thus, GCS is a subsidiary of BGV as on date

² BGV and its subsidiaries/associates are collectively referred to as the Groww Group or the Group

³ Excluding goodwill of Rs. 276.8 crore; Note – In FY2021, other income included Rs. 244.9-crore on account of remeasurement of previously held interest in acquiree in business combination, which is included in net worth.

majority of BGV's consolidated revenues accrue from NBT, which is the broking arm of the Group. Further, it remains susceptible to regulatory changes as well as technological risks, given its predominantly online presence and the evolving fintech landscape. Going forward, BGV's ability to maintain its leading position in the broking segment, while incubating the proposed businesses successfully, would remain critical from a credit perspective. Moreover, the profitability and capitalisation trajectory would remain a monitorable.

Key rating drivers and their description

Credit strengths

Strong market position in equity broking segment – NBT, a subsidiary of BGV and the key operating entity of the Group, is now the leading discount broker in the country in terms of NSE active clients. It was ranked 1st in terms of NSE active clients as of November 30, 2023, with a market share of 20%. The company made significant client additions since FY2022, supported by industry tailwinds and record retail participation in domestic capital markets, a trend which continued in H1 FY2024. Supported by the expanding client base, NBT reported a sizeable improvement in broking volumes and income in FY2023 and H1 FY2024. Its cash market share⁴ (excluding proprietary turnover) stood at ~6% in FY2023 compared to 3.8% in FY2022 and 0.8% in FY2021. The healthy improvement in derivatives volume in FY2023 and H1 FY2024 supported the company's overall market position and broking revenues further. As NBT is the Group's flagship operating entity, its healthy performance augurs well for BGV's financial profile. Nonetheless, ICRA notes that NBT's leading market position has been achieved in a relatively short time span and the sustainability of the same will be a monitorable, given the evolving industry landscape.

Comfortable capitalisation – BGV's capitalisation remains comfortable with a consolidated net worth of Rs. 2,856.9 crore and nil borrowings as on March 31, 2023. The net worth is primarily deployed in the broking business in the form of margins placed at the exchanges, followed by certain amounts in the form of cash/bank balance and liquid investments (BGV held consolidated liquid funds of ~Rs. 3,045 crore as of September 30, 2023, of which ~Rs. 2,200 crore was unencumbered). BGV has infused over Rs. 500 crore of equity capital in NBT till date. Further, ICRA notes that the Group has initiated diversification into other lines of business, which would require capital outlay in the near-to-medium term. Nonetheless, the capital position is expected to remain comfortable, notwithstanding the proposed capital infusion to incubate the new businesses. BGV's capital profile remains supported by equity capital infusions by the ultimate parent. The Group has raised ~Rs. 2,900-crore equity capital till date at Groww Inc. USA and there are no accumulated losses as of September 30, 2023. Going forward, the healthy profitability is expected to result in sizeable cash accruals, thereby augmenting the Group's capital base.

Healthy profitability with improving trajectory – BGV's consolidated earnings profile was constrained till FY2022, given the limited vintage of the Group in the equity broking space. However, the earnings profile has improved thereafter, supported by the strong performance of the broking business. The company reported an RoNW of 17.0% with a consolidated PAT of Rs. 448.8 crore on NOI of Rs. 1,419.5 crore (PAT/NOI – 31.6%) in FY2023 compared to a loss of Rs. 239.0 crore on NOI of Rs. 418.4 crore in FY2022. The earnings improved further in H1 FY2024 supported by market tailwinds. ICRA has noted that the loss in FY2022 was on account of certain one-time employee costs. Going forward, BGV's ability to improve the profitability while scaling up the new businesses successfully will remain imperative from a credit perspective.

Credit challenges

Concentrated dependence on capital markets, which are inherently volatile and cyclical in nature; presence in other capital market segments yet to be established – BGV's revenues are largely attributable to the broking segment as the other businesses are still in a nascent stage or are yet to be launched. As the company's revenues are linked to the inherently volatile capital markets, its profitability remains vulnerable to market performance. ICRA notes that while the Group has initiated diversification into other lines of business, the share of broking revenues remains sizeable, especially from the futures &

⁴ Market share is as per ICRA's calculations

options segment (75-80% of total broking income). Thus, any downturn in the capital markets may impact the financial performance.

Susceptibility to regulatory changes and/or technological risks – The broking industry has witnessed multiple regulatory changes in the last couple of years aimed at enhancing investor confidence and ensuring the protection of investor interest. These changes have increased the working capital requirements and compliance burden across players. However, NBT takes an upfront margin from its clients, which limits its own funding requirement. While the growth of discount brokers has been phenomenal during the last few years with their market share increasing to 58% of NSE active clients in FY2023⁵ (less than 10% till FY2017), they would be at a comparatively greater risk of facing technology-related issues owing to their end-to-end digital presence.

Ability to scale up new businesses profitably and achieve strong asset quality in the lending business – The Group has initiated diversification into other lines of business to tap cross-selling opportunities. This would require capital outlay in the near-to-medium term, especially for scaling up the lending business being incubated at GCS. As of September 30, 2023, BGV held 22% stake in GCS⁶ and had received in-principle approval from the Reserve Bank of India (RBI) to increase its shareholding to 51%⁷. Notwithstanding the proposed capital infusion in GCS and other businesses, comfort is drawn from the sizeable liquidity buffers at the Group level and the healthy cash accruals. The new businesses are either in a nascent stage of operations or are yet to be launched. Initial losses, if any, during the gestation period or asset quality issues could impact the profitability to a certain extent, although the consolidated profitability is expected to remain healthy. The Group's ability to scale up these businesses profitably, while maintaining healthy asset quality and robust capitalisation, remains a key monitorable.

Liquidity position: Strong

BGV's consolidated cash & liquid investments aggregated ~Rs. 3,045 crore⁸ as of September 30, 2023. Of this, ~Rs. 2,200 crore was unencumbered while debt outstanding was nil. At present, the liquidity requirements are largely limited to the broking business for placing margin buffers at the exchanges, apart from the working capital requirements for maintaining the 'Groww' platform. ICRA notes that certain funds would be required to capitalise the proposed businesses such as the lending business (estimated to be ~Rs. 250 crore till March 2025), etc. Nonetheless, the Group is expected to continue maintaining sufficient on-balance sheet liquidity to support its new ventures as well as for the working capital requirements of the broking business. In this regard, the healthy profitability and resultant cash accruals are expected to augur well for the Group's liquidity profile.

Rating sensitivities

Positive factors – A meaningful and profitable diversification of the revenue profile, while maintaining a strong capitalisation and profitability trajectory.

Negative factors – A significant decline in revenue from the broking business, leading to the weakening of the financial performance. Inability to scale up the proposed businesses profitably, impacting the capital profile, would also be a credit negative, besides any adverse change(s) in the regulatory environment, affecting the business operations and financial performance.

⁵ Source: NSE website

⁶ The balance is held equally by Mr. Lalit Keshre, Mr. Harsh Jain, Mr. Ishan Bansal and Mr. Neeraj Singh

⁷ Subsequently, BGV has increased its shareholding to 51% in GCS through capital infusion in January 2024

⁸ Includes Rs. 20 crore liquid funds of GCS, which was an associate of BGV as of September 30, 2023

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Stockbroking & Allied Services Rating Approach - Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of BGV while factoring in the ordinary and extraordinary support that is expected to be extended to its associate – GCS (NBFC arm of the Group).

About the company

Billionbrains Garage Ventures Private Limited (BGV) was incorporated in January 2018. It is a subsidiary of Groww Inc⁹, which is based in Delaware, USA. BGV is the holding company of the subsidiaries domiciled in India and offering various financial services such as broking, distribution, lending, etc. The company owns and operates the web and app-based technology platform – ‘Groww’. It provides services like software designing, maintenance, testing and benchmarking, designing, developing computer software and solutions, building and organising software tools, and marketing and innovation of licensed software, along with consultancy services. BGV plans to reverse merge with Groww Inc. and the resultant entity would be domiciled in India. The scheme is subject to the receipt of regulatory approvals.

Key financial indicators

BGV – Consolidated	FY2022	FY2023
Net operating income	418.4	1,419.5
Profit after tax	(239.0)	448.8
Net worth*	2,429.3	2,856.9
Total assets	3,720.4	4,639.1
Gearing (times)	0.0	0.0
Return on average net worth	-14.8%	17.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Excluding goodwill of Rs. 276.8 crore; Note – In FY2021, other income included Rs. 244.9-crore on account of remeasurement of previously held interest in acquiree in business combination, which is included in net worth.

BGV – Standalone	FY2022	FY2023
Net operating income	178.3	1,005.2
Profit after tax	-240.9	396.6
Net worth	2,465.2	2,862.1
Total assets	2,604.6	3,035.1
Gearing (times)	0.0	0.0
Return on average net worth	-14.6%	14.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

⁹ Groww Inc. is the ultimate parent and holds a 99.99% stake in BGV

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jan 23, 2024			
1	Issuer rating	Long term	-	-	[ICRA]AA- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	-	[ICRA]AA- (Stable)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership as on March 31, 2023	Shareholding as of March 31, 2023	Consolidation approach
Billionbrains Garage Ventures Private Limited	Holding company	NA	Full consolidation
Nextbillion Technology Private Limited	Subsidiary	99.99%	Full consolidation
Groww IFSC Private Limited	Step-down subsidiary	99.99%	Full consolidation
Neobillion Fintech Private Limited	Subsidiary	100%	Full consolidation
Groww Serv Private Limited	Subsidiary	100%	Full consolidation
Billionblocks Finserv Private Limited	Subsidiary	100%	Full consolidation
Groww Pay Services Private Limited	Subsidiary	100%	Full consolidation
Groww AA Private Limited	Subsidiary	100%	Full consolidation
Groww Insurance Broking Private Limited	Subsidiary	100%	Full consolidation
Finments Tech Private Limited	Subsidiary	100%	Full consolidation
Groww CreditServ Technology Private Limited*	Associate	22%	Limited consolidation

Source: Company; *GCS became an associate of BGV post March 31, 2023 and is a subsidiary as on date.

Note – Groww Asset Management Limited (Formerly known as Indiabulls Asset Management Company Limited; w.e.f. May 02, 2023), Groww Trustee Limited (Formerly known as Indiabulls Trustee Company Limited; w.e.f. May 02, 2023) became subsidiaries of BGV in FY2024 and Groww AA Private Limited ceased to be a subsidiary of BGV w.e.f. June 20, 2023.

Corrigendum

Rationale dated January 23, 2024 has been revised with the following changes:

- Rating approach – consolidation added under ‘Applicable rating methodologies’ in the ‘Analytical approach’ section on page 4.

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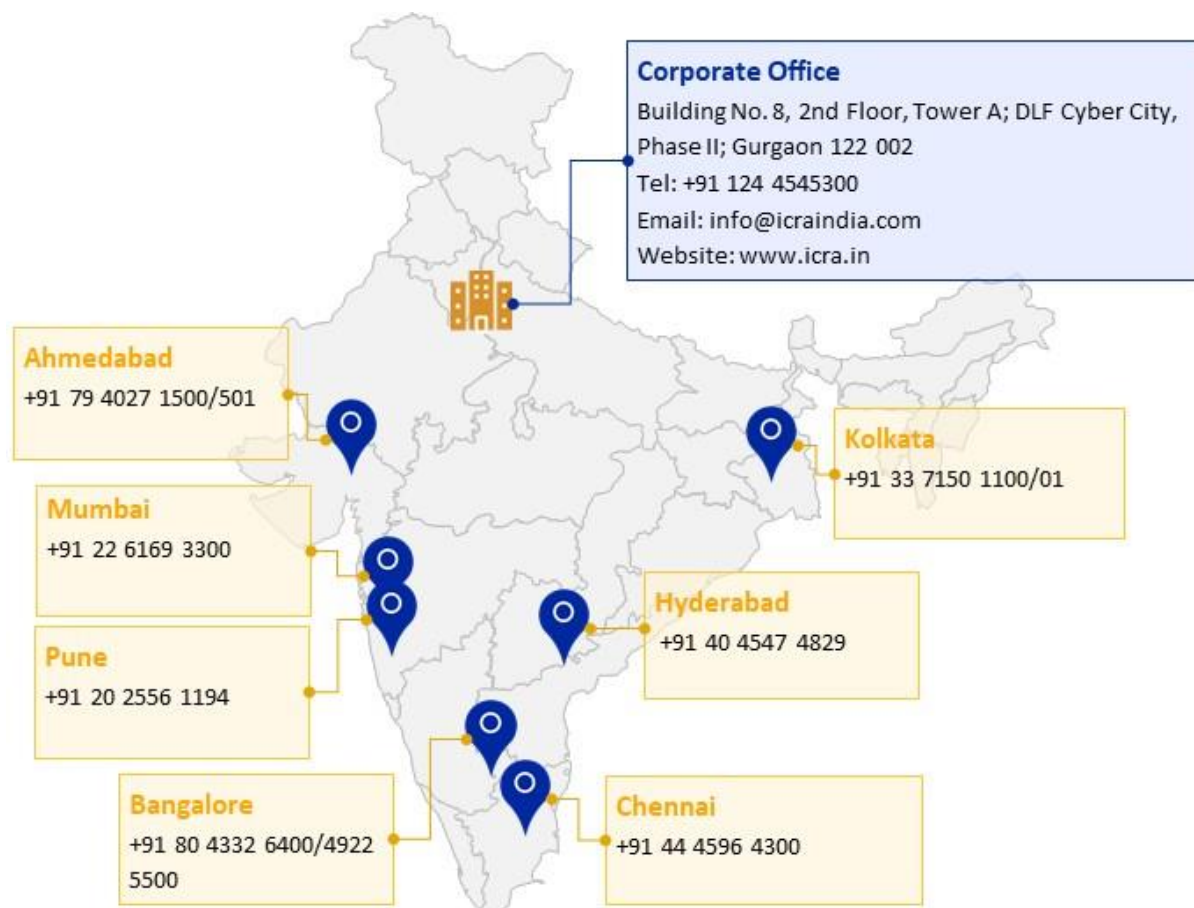


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