April 01, 2021

S V Creditline Limited: Rating withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD programme	23.00	-	[ICRA]BB+ (Stable); Reaffirmed and simultaneously withdrawn
Subordinated debt	10.00	-	[ICRA]BB+ (Stable); Withdrawn
Bank facilities	55.00	-	[ICRA]BB+ (Stable); Reaffirmed and simultaneously withdrawn
Total	**88.00**	**-**	

**Instrument details are provided in Annexure-1*

In addition to the above instruments, ICRA has a rating outstanding on SVCL's pooled loan issuance (PLI) programme; refer to this link here

Rationale

The outstanding rating on the various borrowing programmes of S V Creditline Limited (SVCL) has been withdrawn in accordance with ICRA's policy on the withdrawal and suspension of credit ratings and as requested by the company. No dues certificates or no objection certificates (NOC) have been received from investors/lenders.

The rating factors in the company's weak profitability indicators, the decline in its scale of operations and the weakening of its liquidity profile over the last few quarters. SVCL reported assets under management (AUM) of ~Rs. 457 crore as on January 31, 2021 compared to Rs. 600 crore as on March 31, 2020, registering an annualised degrowth of ~28%. It witnessed an improvement in its profitability metrics and reported a profit in 9M FY2021 compared to a net loss of Rs. 24.94 crore in FY2020. However, given the pressure on income amid the declining scale of operations and relatively high operating expenses, the profitability remains weak with an estimated (assumed tax @ 25%) return on average net worth (RoNW) and return on average managed assets (RoMA) of 6.64% and 0.99%, respectively, in 9M FY2021 (provisional). The asset quality indicators, as on January 31, 2021, deteriorated with 0+ days past due (dpd) of 37.40% while the 90+ dpd was 3.38% of the total AUM. The rating is further constrained by the marginal borrower profile, which is more susceptible to income shocks, SVCL's focus on unsecured lending, and the political and operational risks associated with microlending, rising ticket sizes and borrower leverage in the industry.

On the other hand, the rating continues to factor in the company's committed promoters and its adequate systems and processes. ICRA also takes note of the capital infusion by the promoter family in the form of equity and optionally convertible cumulative redeemable preference shares (OCCRPS), which were later converted into equity in 9M FY2021. SVCL would need additional capital for scaling up its operations and absorbing its losses.

Key rating drivers and their description

Credit strengths

Adequate systems and processes – The company's systems are commensurate with the scale of operations. It uses a mobile-based loan origination system that records and checks the KYC and credit bureau information on a real-time basis on the field. This reduces the turnaround time after the data is checked at the head office before loan disbursement. The audit function keeps a check on the branch and field operations and the findings can be accessed by the management team.

Credit challenges

Moderate scale and geographically concentrated operations – The company had a moderate scale of operations with AUM of around Rs. 457 crore (provisional) as on January 31, 2021 vis-à-vis Rs. 600 crore as on March 31, 2020 (Rs. 747 crore as on March 31, 2019), registering an annualised degrowth of ~28%. In terms of geographical diversification, Uttar Pradesh (UP) continued to contribute the highest share of 36.6% as on December 31, 2020, followed by Madhya Pradesh (MP; 24.4%), Chhattisgarh (10.4%), Bihar (7.7%) and five other states (cumulative share of 20.9%). The portfolio concentration makes the company vulnerable to regional and political risks.

Weak profitability profile – The profitability profile has remained weak with lower net interest margins on a declining portfolio and relatively higher operational costs, though the same declined in 9M FY2021 owing to the management's cost rationalisation measures. The estimated RoMA and RoNW stood at 0.99% and 6.64%, respectively, in 9M FY2021 (provisional). The subdued profitability is on account of the reduced spread and margin. Although the company has been able to reduce its operational expenses, the same are relatively higher given its current scale of operations. Furthermore, higher credit costs are likely to impact its profitability.

To manage impact of Covid-19 on asset quality – SVCL's 0+ and 90+ dpd stood at 37.40% and 3.38%, respectively, of the total AUM as on January 31, 2021 compared with 11.91% and 1.05%, respectively, as on March 31, 2020. The softer buckets have reported higher delinquencies though the harder buckets remain relatively contained. The company's ability to improve recoveries and contain the impact of Covid-19 pandemic on its asset quality with the credit costs will be critical for its financial risk profile.

Low share of bank funding in borrowing mix – SVCL's source of funding comprised ~52% from off-book sources, ~28% through non-banking financial companies (NBFCs), ~18% from banks and ~2% via non-convertible debentures (NCDs) outstanding as on December 31, 2020. Going forward, SVCL's ability to raise funds to support its growth plans and liquidity profile shall be important.

Liquidity position: Adequate

As on December 31, 2020, SVCL had Rs. 26.81 crore of free cash and liquid balance with around Rs. 148 crore of collections due till December 31, 2021 and around Rs. 135 crore of debt obligations due during the same period. Factoring in its recent collection efficiency, the current liquidity is adequate. However, SVCL's ability to consistently improve and maintain its collection efficiency shall be important.

Rating sensitivities

Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Credit Rating Methodology for Non-Banking Finance Companies ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

New Delhi-based S V Creditline Limited (SVCL) is a non-banking financial company - micro finance institution (NBFC-MFI) that was incorporated in 2008. It is promoted by Mr. Vijay Parekh (through Vans Pte Limited) and Mr. Sunil Sachdeva (through SV Corporation Pvt. Ltd). As on December 31, 2020, SVCL operated in 111 districts in nine states including UP (36.6%), MP (24.4%), Chhattisgarh (10.4%), Bihar (7.7%), Punjab (7.0%), Rajasthan (6.0%), Haryana (4.1%), Uttarakhand (3.7%) and Jharkhand (0.3%).

SVCL reported a net profit of Rs. 4.96 crore (provisional) in 9M FY2021 on a managed portfolio of ~Rs. 469 crore as on December 31, 2020 vis-à-vis a net loss of Rs. 24.94 crore in FY2020 on a managed portfolio of Rs. 600 crore as on March 31, 2020. The reported net worth was Rs. 117.71 crore as on December 31, 2020 against Rs. 81.28 crore as on March 31, 2020, supported by capital infusions by the promoter (Mr. Sunil Sachdeva) and his family.

Key financial indicators (IndAS, audited)

S V Creditline Limited	FY2019	FY2020	9M FY2021*
Total income (Rs. crore)	138.9	122.4	70.5
Profit after tax (Rs. crore)	6.3	(24.9)	5.0
Net worth (Rs. crore)	107.2	81.3	117.8
Gross AUM^ (Rs. crore)	747	600	469
Total managed assets (Rs. crore)	942.3	735.7	599.6
Return on average managed assets (%)	1.88%	(2.09%)	0.99%
Return on average net worth (%)	11.82%	(26.47%)	6.64%
Gearing (on-book; times)	4.44	4.10	1.91
Gross NPA (%)	2.49%	3.50%	4.23%
Net NPA (%)	1.64%	0.99%	1.89%
Solvency (Net NPA/Net worth)	7.27%	3.70%	3.74%(E)
CRAR (%)	25.2%	25.7%	41.17%

Source: *Company, ICRA research; * Provisional numbers; All values and ratios as per ICRA calculations, PAT for 9M FY2021 has been computed after assuming 25% tax rate on PBT; ^Gross AUM is as per IGAAP*

E - Estimated

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current Rating (FY2022)						Chronology of Rating History for the past 3 years				
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 28, 2021 (Rs. crore)	Date & Rating in FY2021			Date & Rating in FY2020	Date & Rating in FY2019			Date & Rating in FY2018
					Apr 1, 2021	Aug 18, 2020	Apr 17, 2020	Jan 31, 2020	Dec 3, 2018	Sep 14, 2018	Apr 6, 2018	Mar 22, 2018 Nov 22 2017
1	NCD	Long Term	-	-	**Withdrawn**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	-	-	-
2	NCD	Long Term	-	-	**Withdrawn**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BB+ (Stable)**	**[ICRA]BB+ (Stable)**
3	Bank Lines	Long Term	-	-	**Withdrawn**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BB+ (Stable)**	**[ICRA]BB+ (Stable)**
4	Subordinated Debt	Long Term	-	-	**Withdrawn**	**[ICRA]BB+ (Stable)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BB+ (Stable)**	**[ICRA]BB+ (Stable)**

Source: *ICRA research*

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE472Q07057	NCD	Dec-19-2017	12.77%	Dec-7-2022	20.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
INE472Q07107	NCD	Jul-31-2014	15.00%	Dec-18-2020	3.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
INE472Q08014	Sub-debt	May-29-2015	18.00%	Dec-18-2020	10.00	[ICRA]BB+ (Stable); Withdrawn
NA	Term loan-1	Nov-9-2018	NA	Dec-19-2020	30.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
NA	Term loan-2	Dec-24-2018	NA	Jan-11-2021	10.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
NA	Term loan-3	NA	NA	NA	15.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Sachin Sachdeva
+91 124 4545307
sachin.sachdeva@icraindia.com

Jatin Arora
+91 124 4545 330
jatin.arora@icraindia.com

Jitesh Setia
+91 22 6114 3463
jitesh.setia@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

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