

September 05, 2023

Moneywise Financial Services Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based/non-fund based bank lines	600	1,000	[ICRA]A- (Stable); reaffirmed/assigned for enhanced amount
Principal protected market-linked debenture programme (PP-MLD)	25	25	PP-MLD [ICRA]A- (Stable); reaffirmed
Total	625	1,025	

*Instrument details are provided in Annexure I

Rationale

The ratings for Moneywise Financial Services Private Limited (SMC Finance/Moneywise) factor in its parentage in the form of SMC Global Securities Limited (SMC; rated [ICRA]A (Stable)/[ICRA]A1+) and the strategic importance of the company to the SMC Group as its lending business is an important extension of the financial products offered by the Group. In addition to capital support from the parent, the company benefits from shared infrastructure, management support and oversight, and access to a pan-India presence. The ratings also factor in the improvement in the scale of operations with the loan book growing by 7% quarter-on-quarter (QoQ) to Rs. 963 crore as on June 30, 2023 from Rs. 900 crore as on March 31, 2023 and the adequate capitalisation profile with a net worth of Rs. 398 crore and a gearing of 1.6 times as on June 30, 2023. The increase in SMC Finance's assets under management (AUM) has been driven by growth across all business segments. The secured portion of the total loan book stood at ~55% as on June 30, 2023, consisting of loan against property (LAP; 24%), receivables financing (17%), equipment financing (asset-backed financing; 7%), loan against shares (LAS; 5%), and gold loans (2%). The remaining portion of the loan book comprised unsecured working capital loans with a share of ~44%, reflecting limited linkage with the Group's capital market operations.

The ratings are, however, constrained by the relatively moderate asset quality indicators with a reported gross non-performing advances (GNPA) ratio of 2.5% and net NPAs (NNPA) of 1.5% as on June 30, 2023 (2.3% and 1.4%, respectively, as on March 31, 2023). The asset quality indicators had improved in FY2023, supported by write-offs and recoveries. However, fresh slippages in Q1 FY2024 (Rs. 6.6 crore) have led to some moderation in the asset quality indicators.

The ratings also factor in the company's adequate profitability indicators with a return on average assets of 4.2% in Q1 FY2024, supported by the healthy net interest margin and gain on investments, despite the increase in credit costs due to fresh slippages. As on June 30, 2023, the borrowing mix consisted of bank borrowings (76% of total borrowings), non-convertible debentures (NCDs; 15%) and other financial institutions (9%). Going forward, the company's ability to scale up the business profitably while managing the asset quality and controlling fresh slippages will be a key rating sensitivity.

Key rating drivers and their description

Credit strengths

Parentage in the form of SMC – The company benefits from being a part of the SMC Group, which has a long track record of about three decades in the capital market segment. While the Group caters to retail as well as institutional clients, the bulk of the business remains retail focused. The non-banking financial company (NBFC) business is a strategically important extension of the existing bouquet of financial services provided by the Group. Thus, ICRA expects support from the parent to be

forthcoming as and when required. In addition to capital support from the parent, Moneywise benefits from shared infrastructure, management support and oversight, and access to a pan-India presence.

Adequate liquidity and capitalisation profile – Moneywise’s capital position is adequate for the current scale of operations with a capital-to-risk weighted assets ratio (CRAR) of 39.3%, a net worth of Rs. 398 crore and a gearing of 1.6 times as on June 30, 2023. Going forward, the gearing is expected to increase from the current level as incremental business growth would be funded out of fresh borrowings. ICRA, nevertheless, expects the company to maintain a prudent capitalisation profile. The low gearing also supports the company’s liquidity profile. Moreover, Moneywise has diversified the borrowing mix adequately for the current scale of operations. However, it would need to continuously expand its borrowing relationships to grow as per its business plans.

Credit challenges

Moderate, albeit improving, asset quality – While the company’s asset quality indicators improved in FY2023 on the back of write-offs and additional recoveries, the same moderated in Q1 FY2024 with the GNPA increasing to 2.5% as on June 30, 2023 owing to fresh slippages (Rs. 6.6 crore in Q1 FY2024). Going forward, the asset quality of the unsecured loan book and the performance of the new loan segments (gold loans and industrial equipment finance) would be monitorable.

Expansion into newer segments with their performance yet to be tested – Moneywise plans to expand its product offering and include products like gold loans and industrial equipment financing. While the loans will increase the diversity in the portfolio, they would also entail higher operating costs as the company invests in the required infrastructure and builds specialised teams for these products. Also, given the intense competition in these segments, the yields would remain under pressure. SMC Finance’s ability to profitably build these businesses would be a monitorable.

Improving profitability indicators though sustainability to be seen – With the increasing share of the high-yielding capital market funding and the stable mix of unsecured loans in the overall loan mix, the company’s yields increased to 14.6% in Q1 FY2024 from 14.2% in FY2023. At the same time, the repricing of borrowings led to a sharper increase in the cost of funds to 9.6% in Q1 FY2024 from 7.9% in FY2023, leading to a compression in the spreads (5.0% in Q1 FY2024 from 6.3% in FY2023) and net interest margin (7.5% in Q1 FY2024 and 8.8% in FY2023). While the operating expenses in relation to average assets moderated following the growth in the business, this was offset by the increase in the credit costs to 1.6% in Q1 FY2024 from 0.7% in FY2023. Nevertheless, higher investment income led to a marginal improvement in the return on assets (RoA) to 4.2% in Q1 FY2024 from 4.0% in FY2023. The company’s ability to sustain the profitability, going forward, would be a key monitorable and remains to be seen.

Liquidity position: Adequate

On a standalone basis, SMC Finance’s liquidity position remains adequate with positive cumulative mismatches across all buckets and a low gearing as on June 30, 2023. The company had debt repayments of ~Rs. 240 crore in the next six months compared to expected inflows from advances of ~Rs. 316 crore[^] during this period. Further, the liquidity is supported by unutilised bank lines of Rs. 26 crore and an unencumbered cash and bank balance of Rs. 3.1 crore as on June 30, 2023. ICRA expects support from the parent to be forthcoming if needed, given the management and operational linkages along with the company’s strategic importance to the SMC Group.

[^]Rs316 crore (Including CC/OD facility but excluding future interest)

Rating sensitivities

Positive factors – The ratings are underpinned by the parentage and will therefore remain sensitive to any change in SMC’s credit profile. It could be upgraded if Moneywise is able to grow its scale of operations profitably while maintaining prudent capitalisation and if the GNPA’s, including write-offs, are maintained below 3.5% on a sustained basis.

Negative factors – Pressure on the ratings could emerge if there is a weakening in the Group’s consolidated credit profile and/or a significant change in Moneywise’s strategic importance to the Group. Further, the ratings could be revised downwards on a sustained deterioration in the asset quality indicators.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies Impact of Parent or Group Support on an Issuer’s Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

SMC Finance/Moneywise is a wholly-owned subsidiary of SMC Global Securities Limited. It offers a diverse set of products including unsecured business loans (44%), loan against property (LAP; 24%), receivables financing (17%), equipment financing (asset-backed financing; 7%), loan against shares (LAS; 5%), gold loans (2%), and supply chain financing (1%) as on June 30, 2023. The company reported a profit after tax (PAT) of Rs. 11.0 crore on AUM of Rs. 963.1 crore as on June 30, 2023 compared to Rs. 36.1 crore and Rs. 900.4 crore, respectively, as on March 31, 2023.

About the group

SMC Global Securities Limited (SMC), a Delhi-based stockbroking company, was incorporated on December 19, 1994 and is the flagship company of the SMC Group. SMC, along with its subsidiaries, has a significant presence in almost all the important segments of the financial services market such as broking, distribution of third-party products and initial public offerings (IPOs), insurance broking, financing (non-banking financial company; NBFC), real estate advisory and wealth management, investment banking, clearing services, depository participant, non-resident Indian and foreign portfolio services, etc. SMC has a presence in more than 456 cities across India and also in the United Arab Emirates (UAE) with a client base of ~1.0 million.

On a consolidated basis, SMC reported a PAT of Rs. 30.1 crore on revenue of Rs. 313.9 crore in Q1 FY2024 against Rs. 120.4 crore and Rs. 1,220.7 crore, respectively, in FY2023. The consolidated gearing stood at 0.98 times as on June 30, 2023 with a net worth of Rs. 950.7 crore compared to 1.03 times and Rs. 932.7 crore, respectively, as on March 31, 2023.

Key financial indicators

Moneywise (standalone)	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23	Q1FY2024/Jun-23
Total income	83	99	137	45
Profit after tax (PAT)	17	22	36	11
Net worth	342	364	400	398
Loan book	579	690	900	963
Total assets	618	770	1046	1074
Return on assets	2.9%	3.2%	4.0%	4.2%^
Return on net worth	5.1%	6.4%	9.5%	11.1%^
Gross gearing (times)	0.66	1.02	1.4	1.6
Gross NPA	6.2%	2.8%	2.3%	2.5%
Net NPA	3.5%	2.0%	1.4%	1.5%
Solvency	6.0%	3.7%	3.3%	3.6%
CRAR	58.2%	51.5%	40.1%	39.3%

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

Key financial indicators

SMC (consolidated)	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23	Q1FY2024/Jun-23
Gross brokerage income	470.3	543.9	607.6	146.1
Net brokerage income	171.5	190.3	185.9	52.7
Trading income	170.9	191.0	165.1	41.4
Fee income	90.9	122.8	164.4	32.7*
Net interest income	110.4	141.0	166.8	40.9
Net operating income (NOI)	388.7	478.4	525.7	134.1
Total operating expenses	399.2	472.1	541.4	142.8
Profit before tax	142.5	221.4	162.0	40.0
Profit after tax (PAT)	105.0	174.6	120.4	30.1
Net worth	772.7	926.1	932.7	950.7
Borrowings	499.3	513.9	963.6	974.8
Gearing (times)	0.6	0.5	1.0	1.0
Cost-to-income ratio	103%	99%	103%	106%
Return on net worth	14%	21%	13%	13%^
PAT/NOI	27%	36%	23%	22%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amt. (Rs. Crore); ^Annualised; *Rs. 38.4 crore including Research support and other fees.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

S. No.	Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
					Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022	
			Amount Rated (Rs. crore)	Amount Outstanding as of Aug 30, 2023 (Rs. crore)	Sep 05, 2023	July 24, 2023	Nov 02, 2022	Dec 02, 2021	Sep 16, 2021	Sep 17, 2020
1	Principal protected market-linked debenture programme	LT	25	-	PP-MLD [ICRA]A-(Stable)	PP-MLD [ICRA]A-(Stable)	PP-MLD [ICRA]A-(Stable)	PP-MLD [ICRA]A-(Stable)*	-	-
2	Long-term fund-based/non-fund based bank lines	LT	1,000	1,000	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3	Commercial paper	ST	-	-	-	-	-	-	-	[ICRA] A1+ (CE); reaffirmed and withdrawn

LT – Long term, ST – Short term; *Rating assigned on December 02, 2021

Complexity level of the rated instruments

Instrument	Complexity Indicator
Principal protected market-linked debenture programme	Moderately complex
Long-term fund-based/non-fund based bank lines	Simple

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 as on August 30, 2023

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	78.66	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	59.83	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	38.61	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	29.58	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	28.49	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	25.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	18.12	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	18.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	15.01	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	11.88	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	10.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	8.33	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.83	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.63	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.12	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	20.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	1.00	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	15.00	[ICRA]A- (Stable)
Unallocated	Long-term fund-based/non-fund based bank lines	NA	NA	NA	585.91	[ICRA]A- (Stable)
Yet to be placed	Principal protected market-linked debenture programme	NA	NA	NA	25.00	PP-MLD [ICRA]A- (Stable)

Source: Company, ICRA Research

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Manushree Saggar

+91 124 4545 316

manushrees@icraindia.com

Himanshu Nihalani

+91 124 4545 820

himanshu.nihalani@icraindia.com

Rajat Kher

+91 124 4545 833

rajat.kher@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@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

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.