

September 26, 2024

## Groww Invest Tech Private Limited: Ratings assigned/reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term fund-based/ Non-fund based bank lines – Others	108	108	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Commercial paper	200	500	[ICRA]A1+; reaffirmed/assigned for enhanced portion
Non-convertible debentures	-	100	[ICRA]AA- (Stable); assigned
<b>Total</b>	<b>308</b>	<b>708</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings continue to factor in Groww Invest Tech Private Limited's (GIT) strong market position in the equity broking segment (leading position in terms of National Stock Exchange (NSE) active clients as of August 2024), comfortable capitalisation, healthy profitability with an improving trajectory and strong liquidity. GIT, 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.

GIT, the flagship operating entity of the Groww Group<sup>1</sup>, is a wholly owned subsidiary of Billionbrains Garage Ventures Private Limited (BGV; rated [ICRA]AA- (Stable)), which houses the Group's tech platform. GIT remains strategically important for BGV and a key contributor to its income stream for technology and other services availed. BGV's standalone net worth and liquidity reserves are meaningfully more than that of GIT, supported by the periodic raising of equity. BGV's consolidated net worth stood at Rs. 2,224.0 crore<sup>2</sup> as on March 31, 2024 with negligible borrowings. 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 and ICRA expects management and financial support from the Group to be forthcoming to GIT, as and when required.

The continued growth in GIT's client base has been supporting the scale-up in its broking volumes and earnings. The company reported a return on net worth (RoNW) of 40.3% in FY2024, despite paying sizeable fees for the software, server and technology services availed from the parent. Its capitalisation also remains comfortable for the current scale of operations with a net worth of Rs. 887.4 crore and nil borrowings as of March 31, 2024. ICRA, however, notes that GIT has recently forayed into the margin trading facility (MTF) business, which will lead to higher dependence on borrowings, although the financial leverage is expected to remain comfortable.

The above positives are partially offset by GIT's high dependence on capital markets, which are inherently volatile and cyclical in nature. Moreover, a sizeable share of the revenues is from the futures and options (F&O) segment (~75-80% of the net operating income; NOI). Further, it remains susceptible to regulatory changes as well as technological risks, given its predominantly online presence and the evolving fintech landscape. Going forward, GIT's ability to sustain the momentum of client additions while improving its revenues and profitability and maintaining comfortable capitalisation would remain critical from a credit perspective.

<sup>1</sup> BGV and its subsidiaries/associates are collectively referred to as the Groww Group or the Group

<sup>2</sup> Excluding goodwill of Rs. 318.7 crore; In FY2021, other income included Rs. 244.9 crore on account of the remeasurement of the previously held interest in the acquiree in the business combination, which is included in the net worth

The Stable outlook on the long-term rating reflects ICRA's expectation that GIT will continue to maintain a strong market position in the equity broking business, which will support its improving profitability trajectory and comfortable capitalisation.

## Key rating drivers and their description

### Credit strengths

**Strong market position in equity broking segment** – GIT, a subsidiary of BGV and the key operating entity of the Group, is the leading discount broker in the country in terms of NSE active clients. It was ranked 1<sup>st</sup> in terms of NSE active clients as of August 2024, with a market share of ~25%. 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 FY2024 and YTD FY2025. Aided by the expanding client base, GIT reported a sizeable improvement in broking volumes and income in FY2024 and YTD FY2025. Its cash broking volumes market share<sup>3</sup> (excluding proprietary turnover) stood at ~7% in FY2024 and ~6% in FY2023. The continuous growth in derivatives volume since FY2023 has also supported the company's overall market position and broking revenues. Nonetheless, ICRA notes that GIT'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 high dependence on the F&O segment and the evolving regulatory landscape amid observations regarding hyperactive retail investor participation in the derivatives segment.

**Comfortable capitalisation** – GIT's capitalisation remains comfortable with a net worth of Rs. 887.4 crore and nil borrowings as on March 31, 2024. The net worth is primarily deployed in margins placed at the exchanges, followed by certain amounts in the form of cash/bank balance and liquid investments. While the company has sanctioned overdraft facilities, these are backed by fixed deposits that are used for intermittent, short-term funding requirements. ICRA notes that GIT has recently forayed into the MTF business, which will lead to higher borrowings (as it would be funded through a combination of own funds and borrowings through commercial paper), though the financial leverage is expected to remain comfortable.

BGV has infused over Rs. 500 crore of equity capital in GIT till date. It is also noted that BGV's net worth and liquidity reserves are meaningfully more than that of GIT, supported by the periodic raising of equity. BGV's consolidated net worth stood at Rs. 2,224 crore as on March 31, 2024 with negligible borrowings (BGV held unencumbered liquid funds of over Rs. 1,500 crore, as of July 2024, at the consolidated level). 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, BGV's consolidated capital position is expected to remain comfortable and ICRA expects GIT to receive management and financial support from the Group, as and when required.

**Healthy profitability with improving trajectory** – GIT's earnings profile was constrained till FY2022, given its limited vintage in the equity broking space. However, it improved thereafter as the company made significant client additions from FY2022. The growth in GIT's client base led to higher broking volumes and earnings in FY2024 with the company reporting an RoNW of 40.3% and a profit after tax (PAT) of Rs. 297.8 crore on NOI of Rs. 2,899.9 crore compared to a PAT of Rs. 73.1 crore and NOI of Rs. 1,294.6 crore in FY2023 (RoNW of 13.2%). Nonetheless, it is noted that GIT's profitability at the standalone level remains constrained by the elevated cost-to-income ratio. A sizeable portion of the operating expenses is on account of the software, server and technology services availed from BGV.

### Credit challenges

**Concentrated dependence on capital markets; presence in other capital market segments yet to be established** – As the company's revenues are linked to the inherently volatile capital markets, its profitability remains vulnerable to market performance. GIT's primary source of revenue remains retail broking, which accounted for over 90% of its NOI in FY2024, with

<sup>3</sup> Market share is as per ICRA's calculations

interest income on fixed deposits (includes deposits placed with stock exchanges as own margin as well as client margin) mainly accounting for the balance. While the Group has initiated diversification into other lines of business like MTF, the share of broking revenues remains sizeable, especially from the F&O segment (75-80% of the NOI). Thus, any downturn in the capital markets or any adverse regulatory action to curtail retail investor participation in the derivatives market may impact GIT's financial performance.

**Susceptible to intense competition, regulatory changes and/or technological risks** – The securities broking sector remains characterised by intense competition and susceptibility to the entry of new players. Moreover, securities broking companies rely heavily on technology. Thus, any technical failure or disruption can pose operational and reputational risk. In fact, while the growth of discount brokers has been phenomenal during the last few years with their market share increasing to ~57% of NSE active clients as of August 2024<sup>4</sup> (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. Also, given the highly regulated nature of this industry, brokerage houses are exposed to regulatory risks. Hence, their ability to ensure compliance with the evolving regulatory landscape remains crucial. In this regard, the recent Securities and Exchange Board of India (SEBI) circular on uniform charges to be levied by market infrastructure institutions will impact the profitability of the broking industry, particularly discount brokers such as GIT.

ICRA has also taken note of the proposals being considered by the regulator to curb retail investor participation in the derivatives segment, especially hyperactive trading during expiries. These proposals, if accepted and implemented, can pose risk to capital market volumes and hence the revenues and profitability of the industry participants. Moreover, the resultant steps taken by industry participants and their impact on yields and profitability remain to be seen. Nonetheless, the increasing financialisation of savings and the low share of wallet of the equity segment in household savings offer untapped potential for expansion in the broking sector over the longer term. Still, the possibility of pressure on profitability, especially during downturns, cannot be ruled out.

### Liquidity position: Strong

GIT's funding requirement is primarily for placing margin buffers at the exchanges as it had nil debt outstanding as on March 31, 2024. As on March 31, 2024, the company had liquid investments of ~Rs. 85 crore. Further, it had unutilised, fund-based bank lines of Rs. 158.7 crore and intraday lines of Rs. 100 crore, which can be used in case of exigencies.

### Rating sensitivities

**Positive factors** – A meaningful and profitable diversification of the revenue profile, while maintaining a strong capitalisation and profitability trajectory, would have a positive impact. An improvement in the parent's (BGV) credit profile will also remain imperative.

**Negative factors** – A significant decline in GIT's revenue or an increase in the leverage, resulting in the weakening of the financial profile, would be a negative factor. Moreover, a deterioration in the credit profile of the parent or any weakening in the strategic importance to the parent will also be a credit negative.

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<sup>4</sup> Source: NSE website

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Stockbroking &amp; Allied Services</a>
Parent/Group support	Billionbrains Garage Ventures Private Limited (BGV)  GIT is a wholly-owned subsidiary of BGV; ICRA expects that the company will receive adequate and timely support (financial and operational) from the parent, if required.
Consolidation/Standalone	Standalone

## About the company

Groww Invest Tech Private Limited (GIT), incorporated in May 2016, is one of the leading discount brokers in the country with 1.2 crore active National Stock Exchange (NSE) customers as of August 2024. It offers equity broking services in the cash as well as derivatives segment, besides mutual fund distribution. The company was previously known as Nextbillion Technology Private Limited. It is a subsidiary of Billionbrains Garage Ventures Private Limited (BGV). GIT started business as a mutual fund investment platform, under the brand name Groww. It obtained registration from the Securities and Exchange Board of India (SEBI) as a stockbroker. GIT is registered with the NSE and the Bombay Stock Exchange (BSE). Its registered office is in Bengaluru.

## Key financial indicators (audited)

GIT – Standalone	FY2023	FY2024
Net operating income	1,294.6	2,899.9
Profit after tax	73.1	297.8
Net worth	590.0	887.4
Total assets	2,193.5	4,684.3
Gearing (times)	0.0	0.0
Return on average net worth	13.2%	40.3%

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

## Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs. crore)	Sep 26, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Short-term fund-based/Non-fund based bank facilities	Short term	-	-	-	-	13-Jul-2023	[ICRA]A1+	-	-	-	-
		-	-	-	-	23-Jan-2024	[ICRA]A1+	-	-	-	-
Long-term/Short-term fund-based/Non-fund based bank lines – Others	Long term/ Short term	108	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	1-Mar-2024	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	-	-
Commercial paper	Short term	500	[ICRA]A1+	-	-	1-Mar-2024	[ICRA]A1+	-	-	-	-

<b>Non-convertible debentures</b>	Long term	100	[ICRA]AA-(Stable)	-	-	-	-	-	-	-	-
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### Complexity level of the rated instruments

Instrument	Complexity Indicator
<b>Long-term/Short-term fund-based/Non-fund based bank lines – Others</b>	Simple
<b>Commercial paper</b>	Very Simple
<b>Non-convertible debentures</b>	Simple*

*\*Subject to change once the terms are finalised*

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	Long-term/Short-term fund-based/Non-fund based bank lines	NA	NA	NA	108	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Commercial paper – Yet to be placed	NA	NA	NA	500	[ICRA]A1+
NA	Non-convertible debentures – Yet to be placed	NA	NA	NA	100	[ICRA]AA- (Stable)

Source: Company

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

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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### Branches



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