

November 04, 2024

RBSG Capital Private Limited: Long-term rating upgraded to [ICRA]BBB- (Stable), rated amount enhanced and outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loan	75	125	[ICRA]BBB- (Stable); upgraded from [ICRA]BB+ (Positive), outlook revised to Stable from Positive and rating assigned for the enhanced amount
NCD programme	10	10	[ICRA]BBB- (Stable); upgraded from [ICRA]BB+ (Positive) and outlook revised to Stable from Positive
Total	85	135	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade factors in the improvement in RBSG Capital Private Limited's (RBSG) capitalisation profile along with its demonstrated ability to increase its scale of its operations with assets under management (AUM) of Rs. 257 crore as on June 30, 2024 (Rs. 236 crore as on March 31, 2024). The company is adequately capitalised for the current scale of operations, with a net worth of Rs. 53 crore and a managed gearing of 3.7 times as on March 31, 2024, supported by the capital raise of Rs. 21 crore in FY2024. It raised additional capital of Rs. 18.3 crore from the promoters and existing investors in H1 FY2025, taking the net worth to over Rs. 70 crore. Nonetheless, RBSG would need to raise capital at regular intervals in a timely manner to grow as per business plans, given its high growth plans and muted internal capital generation.

The rating is constrained by the muted profitability, limited portfolio seasoning, the modest credit profile of the target customer segment which consists of low-income borrowers, who are more prone to income shocks and thus relatively high portfolio vulnerability, and the limited diversification in the resource profile. RBSG's asset quality is characterised by a gross non-performing advances (GNPA; 150+ days past due basis) as a percentage of gross loan book of 6.0%¹ as on June 30, 2024 (5.6%² as on March 31, 2024). Further, it had loan write-offs of 2.6% of the opening loan book in FY2024. Going forward, the company's ability to control slippages will remain a key monitorable, especially given its high growth plans.

Notwithstanding the growth in its AUM in FY2024, the scale remains modest and geographically concentrated in only two states, i.e. Maharashtra and Gujarat. Due to its ongoing growth phase, the company has high operating expenses, resulting in muted profitability in Q1 FY2025 with a return on average managed assets (RoMA) of 0.3% (0.2% in FY2024). On the funding side, RBSG relies heavily on high-cost borrowings from other larger non-banking financial companies (NBFCs), which constituted 43% of its total borrowings as on June 30, 2024 (38% as on March 31, 2024).

The Stable outlook reflects ICRA's expectation that the company would be able to improve the scale of operations profitably while maintaining adequate capitalisation and controlling its asset quality indicators.

¹ GNPA% (150+ days past due basis) as a percentage of AUM stood at 3.5% as on June 30, 2024

² GNPA% (150+ days past due basis) as a percentage of AUM stood at 3.2% as on March 31, 2024

Key rating drivers and their description

Credit strengths

Adequate capitalisation for current scale of operations; need for external capital remains high – Given its modest scale of operations, the company is adequately capitalised with a net worth of Rs. 56 crore (Rs. 53 crore as on March 31, 2024) and a managed gearing of 3.8 times as on June 30, 2024 (3.7 times as on March 31, 2024). While internal capital generation is muted, RBSG's capitalisation profile is supported by the recent equity infusion of Rs. 18.3 crore from the promoters and new and existing investors by way of compulsorily convertible preference shares (CCPS) in H1 FY2025 (Rs. 21 crore in FY2024). This provides it with some cushion to absorb any asset-side shocks. ICRA notes that RBSG has outlined a road map for strong growth, which is likely to increase the leverage from the current level. Hence, the timely receipt of external capital is important.

Credit challenges

Modest scale of operations; high operating expenses leading to muted profitability – RBSG finances used commercial and passenger vehicles and has a presence in Maharashtra and Gujarat through 30 branches. Although improving, the scale of operations is modest with AUM of Rs. 257 crore as on June 30, 2024 (Rs. 236 crore as on March 31, 2024) compared with Rs. 135 crore as on March 31, 2023. Given the low base, the portfolio is geographically concentrated with Gujarat accounting for 63% as on June 30, 2024 and Maharashtra for the balance. As for profitability, the net interest margin (NIM) improved to 7.1% in Q1 FY2025 (6.8% in FY2024) from 6.7% in FY2023 due to the decline in the average cost of funds. However, owing to the significantly high operating expenses (7.0% of average managed assets in Q1 FY2025 and 7.6% in FY2024) due to the nascent stage of operations and the growth phase, the company's profitability has been muted with RoMA of 0.3% in Q1 FY2025 (0.2% in FY2024) compared with -1.3% in FY2023. A sustained improvement in the earnings as the business scales up would be key from a rating perspective, going forward.

High portfolio vulnerability likely to keep asset quality volatile; limited seasoning of portfolio – RBSG's portfolio is granular and susceptible to the underlying risk profile of its borrower segment as it gives small-ticket loans to first-time borrowers, single vehicle owners, and small business owners who are susceptible to economic shocks and have limited income buffers. Its asset quality indicators have been elevated with GNPA (150+ days past due basis) as a percentage of gross loan book of 6.0%³ as on June 30, 2024 (5.6%⁴ as on March 31, 2024) compared with 5.6%⁵ as on March 31, 2023. RBSG's solvency remained stable at 12.9% as on June 30, 2024 (11.5% as on March 31, 2024) vis-à-vis 13.0% as on March 31, 2023 on account of the higher net worth, post the equity infusions of Rs. 21 crore in FY2024 and Rs. 3.3 crore in Q1 FY2025. However, portfolio seasoning is limited, given the recent scale-up of operations. Disbursements in FY2024 formed 80% of the outstanding AUM as on March 31, 2024. Going forward, the company's ability to control fresh slippages will remain a key monitorable, especially given its high growth plans.

Limited financial flexibility – RBSG has limited, albeit improving, financial flexibility and relies heavily on high-cost borrowings from other NBFCs, which constituted 43% of its total borrowings as on June 30, 2024 (38% as on March 31, 2024). It also has co-lending arrangements with a few partners, whereby it will keep 10% of the loans while the partner will take the balance exposure (90%) on their books. RBSG's borrowing profile mainly consists of floating rate loans while lending is fixed in nature. This exposes it to interest rate risk to some extent. Given its growth plans, the company would need to continuously expand its funding relationships and look at more competitive sources of funding.

³ GNPA% (150+ days past due basis) as a percentage of AUM stood at 3.5% as on June 30, 2024

⁴ GNPA% (150+ days past due basis) as a percentage of AUM stood at 3.2% as on March 31, 2024

⁵ GNPA% (150+ days past due basis) as a percentage of AUM stood at 3.9% as on March 31, 2023

Liquidity position: Adequate

RBSG's asset-liability maturity (ALM) profile is characterised by positive cumulative mismatches across all buckets up to 1 year. As per the ALM profile on June 30, 2024, the company has debt maturities of Rs. 67.76 crore for the 12-month period ending June 30, 2025 against scheduled inflows from performing advances of Rs. 57.42 crore during this period. RBSG had adequate on-balance sheet liquidity as on June 30, 2024, with unencumbered cash & equivalents of Rs. 11.72 crore (equivalent to 10.6% of on-balance sheet borrowings as on June 30, 2024). Liquidity is also supported by sanctioned and unutilised bank lines of Rs. 35 crore as on June 30, 2024.

Rating sensitivities

Positive factors – A significant scale-up of the operations, while improving the asset quality and earnings profile, would be a positive factor.

Negative factors – A significant deterioration in the asset quality indicators or an increase in the managed gearing to more than 6 times on a sustained basis could exert pressure on the rating. Weakening of the liquidity profile would also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Company
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

RBSG Capital Private Limited (RBSG; brand name – Automony) was incorporated in December 2017 and received its NBFC licence in May 2018. It is a Reserve Bank of India (RBI) registered non-deposit taking non-systemically important NBFC (NBFC-ND-NSI), focused on providing loans secured by hypothecation against commercial vehicles and passenger cars. The company currently operates only in Maharashtra and Gujarat and has a network of 30 branches covering 31 districts. As on June 30, 2024, its AUM stood at Rs. 257 crore and it reported a profit of Rs. 0.2 crore for Q1 FY2025. For the year ended March 31, 2024, RBSG reported a net profit of Rs. 0.3 crore compared with a net loss of Rs. 1.7 crore in FY2023. As on June 30, 2024, used passenger vehicle financing constituted ~51% of the AUM while used commercial vehicle financing constituted ~49%.

Key financial indicators

RBSG	FY2023 [^] (Aud.)	FY2024* (Aud.)	Q1 FY2025* (Prov.)
Accounting Standard	IGAAP	IGAAP	IGAAP
Total managed assets	149	264	289
Total income	21.3	29.5	9.8
Profit after tax	-1.7	0.3	0.2
Managed gearing (times)	3.3	3.7	3.8
CRAR	28.6%	33.0%	32.33%
Return on average managed assets	-1.3%	0.2%	0.3%
GNPA (New IRAC [#] ; % of advances)	5.6%	5.6%	6.0%
GNPA (New IRAC [#] ; % of AUM)	3.9%	3.2%	3.5%

Source: Company data, ICRA Research; Note: Amount in Rs. Crore; [#] IRAC –Income Recognition and Asset Classification; [^] NPA recognition as per 180 dpd basis; * NPA recognition has changed to 150+ dpd basis

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)	04-NOV-2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund based – Term loan	Long Term	125.00	[ICRA]BBB-(Stable)	17-MAY-2023	[ICRA]BB+(Stable)	14-OCT-2022	[ICRA]BB+(Stable)	-	-
				08-MAR-2024	[ICRA]BB+(Positive)	-	-	-	-
NCD programme	Long Term	10.00	[ICRA]BBB-(Stable)	17-MAY-2023	[ICRA]BB+(Stable)	-	-	-	-
				08-MAR-2024	[ICRA]BB+(Positive)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund based – Term loan	Simple
NCD programme	Very 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 October 24, 2024

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund based – Term loan [^]	NA	NA	NA	125	[ICRA]BBB- (Stable)
NA	NCD programme*	NA	NA	NA	10	[ICRA]BBB- (Stable)

Source: RBSG; * Proposed; ^ Unallocated/Proposed

[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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