

July 24, 2023<sup>(Revised)</sup>

## Moneywise Financial Services Private Limited: Ratings reaffirmed

### 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	600	[ICRA]A- (Stable); reaffirmed
Principal protected market-linked debenture programme (PP-MLDP)	25	25	PP-MLD [ICRA]A- (Stable); reaffirmed
<b>Total</b>	<b>625</b>	<b>625</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings for Moneywise Financial Services Private Limited (MFSPL or SMC Finance) 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 existing financial products offered by the Group. In addition to capital support from the parent, MFSPL benefits from shared infrastructure, management support and oversight, and access to a pan-India presence. The ratings also factor in the improvement in MFSPL's scale of operations with the growth of over 35% in loan book size from Rs. 690 crore as on March 31, 2022 to Rs. 933 crore as on March 31, 2023 and an adequate capitalisation profile with networth of Rs. 400 crore and a gearing of 1.4 times as on March 31, 2023. The growth in business for the NBFC has been driven by the unsecured SME working capital loans (constituting 47% of the total loan book as on March 31, 2023) which augments the portfolio vulnerability to some extent. The balance loan book consisted of loan against property LAP (23%), receivable Financing (17%), secured business loan (7%), LAS (2%), Gold loan(1%) as on March 31, 2023, reflecting limited linkages with capital market operations of the group. The rating is, however, constrained by the company's relatively moderate asset quality indicators with a reported gross nonperforming advances (GNPA) ratio of 2.3% as on March 31, 2023 albeit lower than 2.8% as on March 31, 2022 and significantly lower than 6.2% as on March 31, 2021. The improvement in asset quality indicators has been supported by write-offs (0.3% of loan book in FY2023) along with some recoveries.

While the company has been able to somewhat control fresh slippages since FY2022, the increasing share of unsecured loans and company getting into new segments (like gold loan and industrial equipment finance), could keep the asset quality volatile.

The company's profitability indicators are adequate with a return on average assets of 4% for FY2023 supported by healthy net interest margins and moderation in credit costs. Going forward, the ability of the company to maintain the profitability on a sustained basis would be monitorable. As for borrowing mix, MFSPL's borrowing mix consists of borrowings from banks and financial institutions (86% of total borrowings), and non-convertible debentures (NCDs; 14%) as on March 31, 2023. Going forward, the company's ability to profitably scale the business 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 business (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, MFSPL benefits from shared infrastructure, management support and oversight, and access to a pan-India presence.

**Adequate liquidity and capitalisation profile** – MFSPL's capital position is adequate for the current scale of operations with a CRAR of 40.1%, a net worth of Rs. 400 crore and a gearing of 1.4 times as on March 31, 2023. Going forward, the gearing is expected to increase from current levels as incremental business growth would be funded out of fresh borrowings, though ICRA expects the company to maintain prudent capitalization profile. The low gearing also supports the liquidity profile of the company. Also, the company has adequately diversified the borrowing mix for the current scale of operations. Nevertheless, the company would need to continuously expand the borrowing relationships to grow as per business plans.

### Credit challenges

**Moderate asset quality albeit improving** – MFSPL has relatively moderate asset quality indicators, albeit improving, with a reported GNPA% of 2.3% as on March 31, 2023 compared to 2.8% as on March 31, 2022 on the back of write-offs (Rs. 2.4 crore write-off in FY2023 and Rs. 26.8 crore in FY2022) and some recoveries. The slippages declined from Rs. 24.5 crore and Rs. 13.2 crore in FY2021 and FY2022 respectively to Rs. 11.5 crore in FY2023. While the company has been able to somewhat control fresh slippages since FY2022, the increasing share of unsecured loans and company getting into new segments (like gold loan and industrial equipment finance), could keep the asset quality volatile.

**Expansion into newer segments; performance in these segments yet to be tested:** MFSPL's plans of expand its product offerings and include products like gold loans and industrial equipment financing. While the loans will increase the diversity in portfolio, these would also entail higher operating costs as the company invests in the required infrastructure and builds specialized teams for these products. Also, given the high competitive pressures in these segments, the yields would remain under pressure. The ability of the company to profitably build these businesses would be monitorable.

**Improving profitability indicators though sustainability remains to be seen:** MFSPL's standalone profitability increased with the increase in yield on loans from 13.7% in FY2022 to 14.8% in FY2023, driven by increasing share of high yielding unsecured loans in the product mix resulting in the increase in interest income from Rs. 87.3 crore in FY2022 to Rs. 117.4 crore in FY2023. At the same time, the cost of funds moderated marginally from 8.2% in FY2022 to 7.9% in FY2023 leading to an expansion in the lending spreads from 5.2% in FY2022 to 6.3% in FY2023. Operating expense increased to 5.2% in FY2023 from 4.3% in FY2022. The increasing yield, coupled with decline in credit costs in relation to total assets from 2.3% in FY2022 to 0.7% in FY2023, led to improvement in RoA which improved to 4% in FY2023 from 3.4% in FY2022. The company's ability to sustain profitability going forward would be a key monitorable and the same remains to be seen.

## Liquidity position: Adequate

MFSP's liquidity position on a standalone basis remains adequate with the company having positive cumulative mismatches across all buckets as on March 31, 2023. As on March 31, 2023, MFSP had debt repayments (excluding interest) of Rs. 243.1 crore<sup>^</sup> in next twelve months compared to expected inflows from advances of Rs. 484.2 crore during this period. The liquidity position is further supported by unencumbered cash and bank balances of Rs. 0.95 crore. Further, 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.

<sup>^</sup>Rs 158 crore (excluding WC DL, OD/CC)

## Rating sensitivities

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

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

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Credit Rating Methodology for Non-banking Finance Companies</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Moneywise is a wholly owned subsidiary of SMC Global Securities Limited. Moneywise offers diverse set of products including, unsecured SME working capital loan (47%), LAP (23%), Receivable Financing (17%), secured business loan (7%), LAS (2%), Gold loan(1%) as on March 31, 2023. MFSP reported a profit after tax of Rs. 36.14 crore on a total asset base of Rs. 935 crore in FY2023 as compared with a profit after tax of Rs. 22.5 crore on a total managed asset base of Rs. 770 crore for FY2022.

## About the group

SMC Global Securities Limited (SMC) is a Delhi-based stockbroking company, which was incorporated on December 19, 1994 and is the flagship company of the SMC Group. SMC, with its subsidiaries, has a significant presence in almost all the important segments of financial services such as broking, distribution of third-party products and initial public offerings (IPOs), insurance broking, financing (NBFC), real estate advisory and wealth management, investment banking, clearing services, depository participant, non-resident Indian (NRI) and foreign portfolio investment (FPI) services, etc. SMC has a presence in more than 447 cities across India and is also present in the United Arab Emirates (UAE). It has a client base of over 2.0 million.

SMC on consolidated basis reported a profit after tax of Rs. 120 crore on an asset base of Rs. 3,315 crore as on March 31, 2023 when compared with a profit after tax of Rs. 175 crore on an asset base of Rs. 2,954 crore as on March 31, 2022.

On a standalone basis, SMC reported a PAT of Rs. 93.4 crore in FY2023 on an asset base of Rs. 2507.3 crore as on March 31, 2023 compared to a 144.6 crore in FY2022 on an asset base of Rs. 2,371.6 crore as on March 31, 2022

**Key financial indicators (audited)**

SMC (consolidated)	FY2020/Mar-20	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
Gross brokerage income	388.4	470.3	543.9	607.6
Net brokerage income	151.7	171.5	190.3	185.9
Trading income	158.9	170.9	191.0	165.1
Fee income	79.9	90.9	122.8	164.4
Net interest income	90.7	110.4	141.0	166.8
Net operating income (NOI)	325.7	388.7	478.4	525.7
Total operating expenses	429.6	399.2	472.1	541.4
Profit before tax	45.1	142.5	221.4	162.0
Profit after tax (PAT)	23.9	105.0	174.6	120.4
Net worth	681.4	772.7	926.1	932.7
Borrowings	184.71	499.31	513.91	963.6
Gearing (times)	0.27	0.64	0.55	1.0
Gearing (times; excl. lease liabilities)	0.27	0.60	0.52	1.0
Cost-to-income ratio	132%	103%	99%	103%
Cost-to-income ratio (incl. trading income)	89%	71%	71%	78%
Return on net worth	3%	14%	21%	13%
PAT/NOI	7%	27%	36%	23%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*Limited financials; ^ Includes other fee income

**Key financial indicators (audited)**

MFSP (standalone)	FY2020/Mar-20	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
Total income	88	83	99	137
Profit after tax (PAT)	19	17	22	36
Net worth	325	342	364	400
Loan book	502	579	690	933
Total assets	542	618	770	1046
Return on assets	3.2%	2.9%	3.2%	4.0%
Return on net worth	6.4%	5.1%	6.4%	9.5%
Gross gearing (times)	0.39	0.66	1.02	1.4
Gross NPA	4.2%	6.2%	2.8%	2.3%
Net NPA	2.5%	3.5%	2.0%	1.4%
Solvency	3.8%	6.0%	3.7%	3.3%
CRAR	68.2%	58.2%	51.5%	40.1%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*Limited financials; ^ Includes other fee income

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: Not applicable**

## 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 as of Mar 31, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
				July 24, 2023	Nov 02, 2022	Dec 02, 2021	Sep 16, 2021	Sep 17, 2020	Aug 31, 2020
1 PP-MLDP	LT	25	-	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	600	600	[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	[ICRA] A1+(CE); reaffirmed

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

## Complexity level of the rated instruments

Instrument	Complexity Indicator
PP-MLD	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 March 31, 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	19.2	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	45.4	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	12.5	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	19.0	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	23.3	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	37.7	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	6.9	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	65.9	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	6.7	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	29.6	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	7.9	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	6.1	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	88.9	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	25.0	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	17.5	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	1.0	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.0	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.0	[ICRA]A- (Stable)
NA	Long-term fund-based/non-fund based bank lines	NA	NA	NA	5.0	[ICRA]A- (Stable)
<b>Unallocated</b>	Long-term fund-based/non-fund based bank lines	NA	NA	NA	172.4	[ICRA]A- (Stable)
<b>Yet to be placed</b>	PP-MLD	NA	NA	NA	25	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**

## Corrigendum

Document dated July 24, 2023 has been corrected with revisions as detailed below:

Page No	Location on Page	Previous data	Revised data
6	Annexure I: Instrument details as on March 31, 2023	Amount Rated – Rs. 6.2 crore	Amount Rated – Rs. 6.1 crore

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