September 26, 2024

Groww Creditserv Technology Private Limited: [ICRA]A (Stable)/[ICRA]A1 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term fund-based/Non-fund based bank lines – Others	500	[ICRA]A (Stable)/[ICRA]A1; assigned
Non-convertible debentures	200	[ICRA]A (Stable); assigned
Total	**700**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings factor in Groww Creditserv Technology Private Limited's (GCS) strong parentage, as it is a part of the Groww Group[1], and its synergies with the Group's customer franchise, providing personal loans. The shared brand name and strategic importance to the Group support ICRA's opinion that GCS would receive timely and adequate help (operational and financial) from the parent, as and when required. GCS is a wholly-owned subsidiary of Billionbrains Garage Ventures Private Limited (BGV) and is the non-banking financial company (NBFC) arm of the Group. The ratings also consider GCS' adequate capitalisation and liquidity profile. The capitalisation was characterised by a net worth of Rs. 351.4 crore and a reported gearing of 1.1 times as on March 31, 2024. Going forward, ICRA expects the leverage to increase due to the planned scale-up of the operations, although the company is likely to maintain a prudent capitalisation profile with on-balance sheet gearing of ~1-2 times in the near term.

The above positives are, however, offset by GCS' modest scale and nascent stage of operations. Further, the profitability profile remains weak as the company is yet to break even as it commenced lending only in February 2023. Moreover, the asset quality remains monitorable, given the inherent risk associated with the unsecured loans segment and the limited loan book seasoning. ICRA takes note of the company's technology-enabled processes, leveraging an internal machine learning (ML) model-based scorecard to provide tailored offers to eligible customers. It also launched checkout finance in September 2023, providing consumer durable loans across partner outlets. Further, GCS has certain new products in the pipeline, which could provide diversification benefits.

The company remains susceptible to regulatory changes as well as technological risks, given its predominantly online presence and the evolving fintech landscape. Going forward, GCS' ability to scale up its operations profitably, while maintaining a prudent capitalisation and good control on the asset quality, would remain critical from a credit perspective.

The Stable outlook on the long-term rating reflects ICRA's expectation that GCS will continue to benefit from the operational and financial support from the Group. Further, it is likely to maintain an adequate capitalisation profile, with support from the parent if required.

Key rating drivers and their description

Credit strengths

Strong parentage – GCS is the NBFC arm of the Groww Group. It is a subsidiary of BGV (rated [ICRA]AA- (Stable); holding company of the Groww Group, which houses the tech platform), providing personal loans. It also provides consumer durable loans through partner outlets in select geographies, although on a small scale. The Groww Group has a strong position in the

[1] BGV and its subsidiaries/associates are collectively referred to as the Groww Group or the Group

equity broking industry and its key operating entity – Groww Invest Tech Private Limited {GIT; rated [ICRA]AA- (Stable)}, is the leading discount broker in the country in terms of National Stock Exchange (NSE) active clients. The Group's market position is characterised by an expanding customer base, improving profitability trajectory and comfortable capitalisation. Given the shared brand name, common senior management and the strategic importance to the Group, ICRA believes that GCS will receive adequate and timely support (financial as well as operational) from the parent, as and when required.

Adequate capitalisation – GCS' capitalisation remains adequate with a net worth of Rs. 351.4 crore, a capital-to-risk weighted assets ratio (CRAR) of 38.6% and a gearing of 1.1 times as on March 31, 2024. The borrowings are primarily in the form of intercorporate deposits from the parent. The capital profile is supported by the cumulative equity infusion of ~Rs. 378 crore from inception till March 2024. The net worth eroded marginally due to the loss-making operations thus far, although the company has taken steps to reduce the losses and is expected to break even in FY2025. ICRA notes that GCS is targeting a rapid scale-up of its operations and would require capital in the near-to-medium term.

However, it is also noted that BGV's net worth and liquidity reserves are meaningfully more than that of GCS, supported by the periodic raising of equity. Its consolidated net worth stood at Rs. 2,224.0 crore[2] as on March 31, 2024 while borrowings were negligible. Overall, financial support from the parent group is expected to be forthcoming to support the scale-up while maintaining adequate capitalisation. GCS is expected to maintain a prudent capitalisation profile with on-balance sheet gearing of ~1-2 times in the near term.

GCS' dependence on external borrowings has been limited till date, given the funding support (equity as well as debt) from the parent. Nonetheless, it has a track record of availing term loans from banks/financial institutions for funding the loan book growth. Further, it completed a pass-through certificate (PTC) transaction in July 2024 and plans to issue non-convertible debentures (NCDs) in the near term. ICRA notes that the cost of funds remains marginally high at present. In this regard, a meaningful diversification in the borrowing profile at competitive rates would augur well for the credit profile.

Credit challenges

Modest scale and nascent stage of operations – GCS currently provides personal loans, leveraging an internal ML model-based scorecard to provide tailored offers to eligible customers. The company also launched checkout finance in September 2023, providing consumer durable loans across partner outlets. The scale of operations remains modest, notwithstanding the rapid planned growth trajectory. GCS' assets under management (AUM) stood at Rs. 731.1 crore as on March 31, 2024. The operations are still in a nascent stage and GCS' ability to scale up the operations profitably while maintaining adequate asset quality remains a monitorable. The company also has certain new products in the pipeline, which could provide diversification benefits.

Weak profitability; inherent asset quality risk due to underlying unsecured loan segment – GCS started lending operations in February 2023 and it is yet to break even as the operations are still in a nascent stage. The company reported a net loss of Rs. 24.1 crore in FY2024 compared to a loss of Rs. 2.8 crore in FY2023. GCS is expected to break even in H2 FY2025, supported by certain revenue initiatives planned by it along with the rationalisation of operating costs. A sizeable portion of the operating expenses is on account of the software, server and technology services provided by the parent (BGV). Operating expenses are likely to rationalise with improvement in scale of operations. Nonetheless, its ability to achieve a breakeven level and improve the profitability trajectory thereafter will remain monitorable.

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[2] *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*

Further, the company remains susceptible to inherent asset quality risks, given the unsecured nature of the underlying loan segment. While the reported headline asset metrics are benign so far, with gross non-performing assets (GNPA) of 0.3% as on March 31, 2024, the asset quality trajectory would remain monitorable as the loan book seasons.

Susceptible to regulatory changes and technological risks – GCS is a digital lender using technology-enabled processes, leveraging an internal ML model-based scorecard to provide tailored offers to eligible customers. It uses the digital platforms – Groww and Groww Credit, for sourcing and monitoring loans. Further, the fintech lending space has witnessed multiple regulatory changes in recent years to enhance borrower as well as lender protection. Thus, the company's operations remain susceptible to regulatory changes and/or the impact of technological risks owing to its end-to-end digital presence.

Liquidity position: Adequate

GCS' liquidity position remains adequate with an unencumbered cash and bank balance of ~Rs. 10 crore and liquid investments of ~Rs. 20 crore as of March 31, 2024. Given the low leverage, the debt repayments in the near term are limited. The asset-liability management (ALM) profile is characterised by positive cumulative mismatches across all buckets up to 1-year maturity. As the dependence on borrowings increases, the company endeavours to maintain adequate liquidity backup in the form of undrawn lines and on-balance sheet liquidity. GCS also enjoys financial flexibility as it is a part of the Groww Group.

Rating sensitivities

Positive factors – The ability to scale up its operations significantly while demonstrating healthy asset quality and profitability, besides building a diversified resource profile and maintaining comfortable capitalisation on a sustained basis will have a positive impact on the ratings. Additionally, an improvement in the parent's credit profile would be a credit positive.

Negative factors – A material change in the linkage with the parent and/or a significant deterioration in the Group's credit profile would be negative factors. Besides, sustained inability to improve the financial profile or the weakening of the capitalisation profile due to aggressive growth or profitability and asset quality pressure will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Billionbrains Garage Ventures Private Limited (BGV) GCS is a wholly-owned subsidiary of BGV and 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 Creditserv Technology Private Limited (GCS), incorporated in January 2021, is a non-deposit taking NBFC. The company received its NBFC licence from the Reserve Bank of India (RBI) in December 2022. GCS is a digital lender and provides personal and consumer durable loans on the digital lending platforms – Groww and Groww Credit. It is a wholly-owned subsidiary of BGV. Currently, personal loans are provided by leveraging an internal ML model-based scorecard to make tailored offers to eligible customers. The company also launched checkout finance in September 2023. It has tie-ups with ~80 outlets across Karnataka and Tamil Nadu for providing consumer durable loans as of June 2024.

GCS had a loan book of Rs. 731.1 crore as on March 31, 2024, with personal loans accounting for 98% and consumer durable loans for the balance (2%). Its net worth was Rs. 351 crore as on March 31, 2024.

About the parent

Billionbrains Garage Ventures Private Limited (BGV) was incorporated in January 2018 as a subsidiary of Groww INC. (based in Delaware, USA). Groww INC. was reverse merged into BGV in Q4 FY2024. Thus, BGV is now the holding company of the Groww Group[3], offering various financial services such as broking, distribution, lending, etc, through its subsidiaries. BGV owns and operates the web and app-based technology platform – Groww and Groww Credit. It provides services like software designing, maintenance, testing and benchmarking, designing, developing computer software and solutions, building and organising software tools, and marketing and innovation of licensed software.

Key financial indicators (audited)

GCS – Standalone	FY2023	FY2024
Total income	0.4	53.7
PAT	(2.8)	(24.1)
Total managed assets	12.2	776.6
Return on managed assets*	(30.2%)	(6.1%)
Reported gearing (times)	0.0	1.1
Gross stage 3	0.0%	0.3%
CRAR	136.9%	38.6%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *PAT/Average Managed Assets*

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
Long-term/Short-term fund-based/Non-fund based bank lines – Others	Long term/ Short term	500	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-	-	-	-	-
Non-convertible debentures	Long term	200	[ICRA]A (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term fund-based/Non-fund based bank lines – Others	Simple
Non-convertible debentures	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

[3] *BGV and its subsidiaries are collectively referred to as the Groww Group*

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Yet to be sanctioned	**Long-term/Short-term fund-based/Non-fund based bank lines – Others**	NA	NA	NA	500	[ICRA]A (Stable)/ [ICRA]A1
Yet to be placed	**Non-convertible debentures**	NA	NA	NA	200	[ICRA]A (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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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.

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