



Press Release

Ahalia Money Exchange & Financial Services Private Limited (AMEFSPL)

August 04th, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Cash Credit	21.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Long Term Fund Based Facility – WCDL	3.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	24.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from promoter group's (Ahalia Group) established presence in Kerala and adequate capitalization. However, the rating strengths are partially offset by asset quality pressure and modest & geographically concentrated business operations.

Key Rating Sensitivities:

- **Upward Factor**

- Substantially scaling up its operations and diversifying its loan portfolio geographically while improving the asset quality indicators, profitability ability and/or maintaining a prudent capital structure.

- **Downward Factor**

- Any further deterioration in the asset quality/NPA levels, which can impact the profitability or the capital position.

Key Rating Drivers with detailed description

Key Rating Strengths

- **Promoter Group's (Ahalia Group) established presence in Kerala:**

AMEFSPL is promoted by the Ahalia Group of companies based in Kerala. The Company's operations are entirely concentrated in Kerala and operate through a network of 49 branches



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spread across 12 districts of Kerala. The promoter, Mr. V.S. Gopalan, is a Medical graduate, interest into various business avenues, which include educational institutes, foreign exchange and hospitals in India and UAE.

Initially, the Company started as a money exchanger and started full-fledged lending business only after 2011. Presently, it has diversified its product range with various profiles, namely lending, foreign exchange, money transfer, travel and other allied services. Due to the Group's reasonable presence in Kerala, it has helped them develop a good brand name.

The promoters of the Ahalia Group also happen to be the directors of AMEFSPL, which provides a certain visibility on the operational and financial front for the long term.

- **Adequate capitalization:**

The Company's Capital Adequacy Ratio (%) remained adequate at 37.68% in FY2020 (Provisional) and 35.75% in FY2019. The CRAR comprises entirely of Tier I capital thereby giving the company the flexibility to raise funds in the form of Tier II. Given the scale of operations, it has a diversified resource profile, which includes debt in the form of debentures/ICDs, unsecured subordinated bonds and the working capital requirement. Overall Gearing stood moderate at 2.86x as on March 31st, 2020 (Provisional) when compared to 1.48x as on March 31st, 2019. The higher leverage levels were due to the losses reported in FY2019 and FY2020 and to support the expanding loan book. The ability to mobilise lower cost funding and its ability to deploy profitably is to be seen.

Key Rating Weaknesses

- **Asset quality pressure:**

The Company's loan book of INR70.68 Crore as on March 31st, 2020 (Provisional) almost comprised 86% of Gold backed loans and 11% of Loan against property. Though its Gross Non-Performing Assets (GNPA) ratio improved to 3.98% in FY2020 (Provisional) from the previous 5.82% in FY2019, it still remains high. The deterioration in the asset quality indicators are largely due to the operational lapses identified in December 2018, where in low quality of gold jewelry was pledged against the borrowed amount and a certain rise in over dues in the LAP segment. Owing to the impact on the credit & operational costs because of the failure in maintaining adequate internal controls, the Company reported net losses for the last two fiscals.



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The efficiency of the company to improve and maintain its adequate internal controls for the long term is to be seen.

- ***Modest scale and Geographically concentrated business operations:***

The Company has modest scale of operations with a total loan portfolio of INR70.68 Crore as on March 31st, 2020 (Provisional) as against INR51.69 Crore as on March 31st, 2019. The activities of AMEF SPL are exposed to geographical concentration risk. It operates through a network of 49 branches all based in Kerala. The Company's performance is expected to remain exposed to competition. The key risk from a concentrated geographical mix is that the cash flows of the borrowers are dependent on the level of economic activity in the region. Occurrence of events such as economic slowdown or any major natural calamity in the state could disrupt the cash flows of the borrowers, thereby impacting credit profile of its borrowers.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

AMEF SPL's overall liquidity remains adequate with no negative cumulative mismatches in the long term as per the ALM as on March 31st, 2020. The Company's capitalization is adequate with moderate gearing level of 2.86x as on March 31st, 2020 (Provisional). The working capital limits amounting to INR24.00 Crore was utilized at almost 95% for the last 12 months ended May 2020.

About the Company

Ahalia Money Exchange and Financial Services Private Limited (AMEF SPL) was incorporated in the year 2001 and obtained its full-fledged money changer (FFMC) license in 2003 and eventually got its NBFC license from the RBI and started lending business under the company name since 2011. It is engaged in extending credit facilities in the form of Gold Loans, Loans against Property, Vehicle Loans and Personal Loans. It is a part of the Ahalia Group of Companies, based in Kerala and is



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promoted by Dr. V.S. Gopalan. With the lending business, it operates its traditional money exchange division which offers a range of services including remittances, foreign currency purchases and sale while providing PAN card related services, Visa and Passport services and Travel Card services.

Financials:

(INR Crore)

For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	10.43	11.90	14.70
Interest	2.34	3.17	5.28
PAT	0.42	(9.24)	(2.05)
Total Debt	26.84	34.50	60.58
Total Net-worth	32.46	23.32	21.28
Total Loan Assets	52.38	51.69	70.68
Ratios (%)			
PAT Margin (%)	4.03	NM	NM
Overall Gearing Ratio (x)	0.83	1.48	2.86
GNPA (%)	4.48	5.82	3.98
NNPA (%)	3.45	4.09	2.91
CAR (%)	55.37	35.75	37.68

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	21.00	IVR BB+	--	--	--



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2.	Long Term Fund Based Facility – WC DL	Long Term	3.00	IVR BB+	--	--	--
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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	NA	NA	NA	21.00	IVR BB+/Stable
Long Term Fund Based Facility – WCDL	NA	NA	March 31 st , 2021	3.00	IVR BB+/Stable