



## Infomerics Valuation And Rating Pvt. Ltd.

### Amar Shakti Commerce and Industries Limited

December 31, 2019

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	20.00	IVR B+/Stable Outlook (IVR B Plus with Stable Outlook)
	<b>Total</b>	<b>20.00</b>	

\* These limits are on the proposed basis.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Amar Shakti Commerce and Industries Limited derives comfort from its long business experience of promoters, growth in loan portfolio in FY19 and H1FY20 and stable financial performance in FY19. The rating strengths are partially offset by its short track record of operation and exposure to riskier client base, small scale of operation with concentrated resource profile, regional & product concentration risk, low return ratios & intense competition.

#### Key Rating Sensitivities

##### Upward Factor

Growth in scale of operations with stable asset quality

Improvement in capital adequacy ratio

Improvement in profitability

##### Downward factor

Deterioration in asset quality

Deterioration in overall gearing

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

Long business experience of promoters



## **Infomerics Valuation And Rating Pvt. Ltd.**

Mr. Kumar Gaurav is an MBA, having experience of over 22 years, started his career as a quality engineer in automobile company, subsequently worked with renowned brands in the automobile industry. In 2009 Kumar Gaurav started his own company, Echo Motors engaged in the dealership of ATUL auto. Subsequently, the company took the dealership of the ACE tractors in 2011. Strong business presence in the automobile sector underpin the business risk profile of its asset financing business.

### **Growth in loan portfolio in FY19 and H1FY20**

ASCIL continued to expand its reach in the state of Assam. The company has 16 branches across the state. The gross loan portfolio increased considerably from Rs.19.41 crore as on March 31, 2018 to Rs.56.66 crore as on March 31, 2019 and further to Rs.70.63 crore as on September 30, 2019. The growth in loan portfolio is backed by expansion in branch network.

### **Stable financial performance in FY19**

ASCIL has started its operations in December 2017. During FY19, the company has registered a total income of Rs.9.28 crore. Net Interest Margin also remained satisfactory at 6.56% in FY19. Further, the company is likely to benefit from Chief Minister Samagra Gramya Unnayan Yojna (CMSGUY) under which tractors are to be distributed to the farmers which will boost the tractor sale in its catchment area. Higher tractor sales through its group companies is expected to enhance the loan portfolio of the company will subsequent increase in total income and profitability.

### **Key Weaknesses**

#### **Short track record of operation and exposure to riskier client base**

The company has started its operation in December 2017 and accordingly has a very short track record of operations. There has been a significant increase in the loan portfolio since December 2017, and company has yet to witness a complete asset cycle indicating low seasoning of the portfolio. ASCIL caters to the segment of low income groups of society exposing the company to riskier client base.

#### **Small scale of operation with concentrated resource profile**



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ASCIL's loan portfolio has increased from Rs.19.41 crore as on March 31, 2018 to Rs.70.63 crore as on Sept 30, 2019. However, the scale of operation of the company continued to remain small in the asset financing business. Further, the company has a concentrated funding profile.

### **Regional & product concentration risk**

The operations of the company continued to remain geographically concentrated with 100% of its loan portfolio in the state of Assam. ASCIL is in lending business to three wheeler (Auto) and four wheeler segment (Tractors) indicating the portfolio concentration towards limited product.

### **Low return ratios & intense competition**

The profitability of the company as indicated by ROTA though improved from 0.12x in FY18 continued to remain thin at 0.49% in FY19. Further, the asset financing industry is a highly competitive segment owing to presence of many organised and unorganised players. Intense competition in the industry may create downward pressure on the profitability in the future. Further, ASCIL has reported a low CAR ratio at 10.40% as on March 31, 2019. However, the current regulatory requirements applicable to NBFC's for CAR are not applicable to ASCIL.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Financial Institutions/ NBFC's  
Financial Ratios & Interpretation (Financial Sector)

**Liquidity: Stretched**

The lending book of ASCIL is at fixed rate and has average tenure of up to 4 years. The portfolio size stood at Rs.70.63 crore as on September 30, 2019. ASCIL has reported low Capital Adequacy Ratio (CAR) at 10.40% as on 31 march, 2019. PAT margins reported by company is low at 2.00%. Given low CAR and low PAT margins, ASCIL's ability to manage its liquidity position seems stretched.

**About the Company**

Amar Shakti Commerce and Industries Limited (ASCIL) is non- deposit taking Loan Company (NBFC-ND-LC), incorporated in 1985. ASCIL has started its operations in December 2017,



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engaged primarily in business of financing loans to the customers of group companies namely Echo Motors and Automobile Private Ltd. (EMAPL) and Skylight Automotives Private Limited (SAPL), both the companies engaged in dealership of three/ four wheelers in Assam state. ASCIL expanded its portfolio through financing for micro-finance lending from FY19 onwards. As on September 30, 2019 ASCIL is managing a loan portfolio of Rs.70.63 crore through a network of 16 branches across Assam.

### Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Income	0.44	9.28
PAT	0.01	0.19
Interest Coverage (Times)	1.05	1.04
ROTA (%)	0.12	0.48
Total Assets	19.41	56.66
Total Debt	16.27	51.35
Tangible Net worth	3.82	5.42

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term loan	Long Term	20.00	IVR B+/Stable	-	-	-

**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](http://www.infomerics.com).

**Name and Contact Details of the Rating Analyst:**



## Infomerics Valuation And Rating Pvt. Ltd.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term loan	-	-	-	20.00	IVR B+/Stable

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