

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Achievers Finance India Private Limited

December 20, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Facilities- Term Loan (Proposed)	10.00	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed
Non-Convertible Debentures	10.00 *	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed
Total	20.00		

*Rs.2.35 crores stand subscribed till September 30, 2019

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings continue to derive comfort from its experienced management, healthy Capital Adequacy Ratio (CAR) along with stable financial performance and asset quality in FY19. However, the ratings are constrained by its small scale of operations with short track record, vulnerability to adverse gold price movement, lack of product diversification along with geographical concentration risk, weak resource profile and intense competition.

Key Rating Sensitivities

Upward factors

- Significant improvement in scale of operations and profitability
- Improvement in asset quality

Downward factors

- Significant deterioration in asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

The operations of the company are looked after by the Directors Mr. Suman Chakravarty, Ms. Sumana Roy and Mr. Pradipta S. Chakravarty who have an experience of over a decade in the sector. They are supported by experienced and qualified professionals.

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Healthy capitalization marked by comfortable capital adequacy ratio

AFIPL has maintained a healthy capital adequacy ratio (CAR) over the years. As on March 31, 2019, CAR was healthy at 33.50% (39.84% March 31, 2018). Further, Infomerics expects that the capitalisation to remain comfortable over the near to medium term notwithstanding the fund requirements for expansion of business.

Stable financial performance in FY19 with stable asset quality

The company's total income increased from Rs.2.32 crore in FY18 to Rs.2.72 crore in FY19 driven by increase in loan portfolio during the year. The growth remained muted due to lack of adequate resource for expansion of loan book. NIM, though moderated in FY19 as compared to FY18 due to elevated interest expense, was comfortable at 12.43%. ROTA though improved marginally from 2.45% in FY18 continues to remain moderate at 2.50% in FY19. Operating expense ratio improved marginally from 10.96% in FY18 to 9.50% in FY19 driven by growth in loan portfolio. The asset quality of the company continues to remain stable in FY19 and in H1FY20. During H1FY20, the company has recorded a PAT of Rs.0.16 crore on a total income of Rs.1.50 crore.

Key Rating Weaknesses

Small scale of operations with short track record

The scale of operations of the company remained small with a loan portfolio of Rs.10.94 crore as on March 31, 2019 and Rs.11.19 crore as on September 30, 2019. Further it has only been around six years since the company commenced its operations. The company is relatively in its initial stage of operations and is yet to stabilize its operation in gold loan sector.

Vulnerability to adverse gold price movement

Notwithstanding its efforts to reduce the impact of gold price fluctuations, AFPL's credit profile remains susceptible to adverse and sharp movements in gold prices. Any steep decline in gold prices is expected to adversely impact the company's asset quality and business profile.

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Lack of product diversification and geographical concentration risk

AIFPL's portfolio entirely consists of gold loans with no product diversification. Further, its operations are concentrated in the state of West Bengal (started from July, 2013). Single state concentration exposes the company to high geographical concentration risk. As on March 31, 2019, the company is operating in seven districts in West Bengal.

Competitive nature of industry

AFIPL is exposed to stiff competition from other NBFCs and banks. Better capitalised and more conservatively run finance companies are better placed in view of current economic scenario.

Weak resource profile

The company does not have any borrowings from banks. The company has been resorting to borrowings primarily in the form of corporate loans to meet its funding requirements. Substantial portion of the borrowings are from body corporates and NBFC's.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity – Adequate

AFIPL has stretched liquidity marked by its weak resource profile and lack of availability of bank funding. However, with a gearing of 0.68 times and CAR 33.50% as on March 31, 2019, the company has sufficient gearing headroom, to raise additional debt for its business growth. The company has free cash balance of Rs.0.79 crore as on September 30, 2019.

About the Company

Achievers Finance India Private Limited (formerly known as Instant Suppliers Private Limited) is a "Non-Deposit taking NBFC" (NBFC-ND), focussing on Gold Loan Finance, headquartered in Kolkata. Achievers Finance started operations from July 2013 and currently has seven branches. The company provides loans secured by gold jewellery. The company's customers typically include small businessman, vendors, traders, farmers and salaried individuals.

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Financials (Standalone):

(Rs. Crores)

For the year ended / As on	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	2.32	2.72
Interest	0.79	0.96
PAT	0.26	0.34
Total Debt	6.53	8.76
Tangible Net worth	5.51	5.78
Ratios		
a. PAT Margin	11.31	12.51
b. Overall Gearing ratio	1.19	1.52
c. Total CAR (%)	39.84	33.50
d. Gross NPA (%)	0.00	0.00
e. Net NPA (%)	0.00	0.00

Note: Classification of financial numbers is as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

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 (Proposed)	Long Term	10.00	IVR BB / Stable Outlook	IVR BB / Stable Outlook (December 12, 2018)	-	-
2.	Non-Convertible Debentures	Long Term	10.00*	IVR BB / Stable Outlook	IVR BB / Stable Outlook (December 12, 2018)	-	-

*Rs.2.35 crores stand subscribed till September 30, 2019

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. 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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Reaffirmed/ Outlook
Long Term Bank Facilities - Term Loan (Proposed)	-	-	-	10.00	IVR BB /Stable Outlook
Non-Convertible Debentures Tranche I	March 02, 2019	Variable with a cap of 13.25%	Maximum till September 19, 2024	1.39	IVR BB /Stable Outlook
Non-Convertible Debentures Tranche II	August 02, 2019	Variable with a cap of 13.25%	Maximum till February 21, 2025	0.96	IVR BB /Stable Outlook
Non-Convertible Debentures (Unsubscribed)	-	-	-	7.65	IVR BB /Stable Outlook