

## Press Release

### Amar Shakti Commerce and Industries Limited

March 31, 2021

#### Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Ratings	Rating Action
Long Term-Fund Based Bank Facilities (Proposed)	20.00	IVR B+/ Stable  (IVR B Plus with Stable Outlook)	IVR B+/ Stable  (IVR B Plus with Stable Outlook)	Reaffirmed
<b>Total</b>	<b>20.00</b> <b>(Twenty crore)</b>			

\* These limits are on the proposed basis.

#### Details of Facilities are in Annexure 1

#### Detailed Rationales

The ratings reaffirmed 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 FY20 and 9MFY21 and incorporation of Technology in day-to-day operations, and healthy growth in loan portfolio. 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 and deterioration in profitability and low capital adequacy ratio.

#### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.
- Significant improvement in capital adequacy ratio.

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### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.

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

#### **Key Rating Strengths**

##### **Long business experience of promoters**

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 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 FY20 and 9MFY21**

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. 68.60 crore as on March 31, 2020 and further to Rs. 90.26 crore as on December 30, 2020. The growth in loan portfolio is backed by expansion in branch network.

##### **Incorporation of Technology in day-to-day operations**

ASCIL uses the app-based model to update all the transactions for the repayments. EMI collection is updated through automated process and same is updated on the systems, for which online confirmation is provided to both customer and collection team. Periodic analysis of the portfolio is disseminated to sales and collection department.

##### **Healthy growth in loan portfolio**

Company has reported improvement in loan portfolio from Rs. 56.66 crore in FY19 to Rs. 68.60 crore in FY20 registering a y-o-y growth of 21%. Further, total portfolio till Dec, 31, 2020 is stood at 90.26 crore reflecting healthy growth in current fiscal.



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### **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**

ASCIL's loan portfolio has increased from Rs.19.41 crore as on March 31, 2018 to Rs.90.26 crore as on December 31, 2020. 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 as it has raised equity, unsecured loan from promoters and debt from FIs.

#### **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.

#### **Deterioration in Profitability**

Company has reported improvement in total income at Rs. 15.5 crore in FY20 from Rs. 9.28 crore in FY19. However, profitability declined from 2.17% in FY19 to 1.46% in FY20. ROTA declined from 0.52% in FY19 to 0.35% in FY20.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Financial Institutions/ NBFC's

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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. 90.26 crore as on December 31, 2020. ASCIL has reported moderate Capital Adequacy Ratio (CAR) at 15.01% as on 31 march, 2020. PAT margins reported by company is low at 1.46%. 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, 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)**

<b>For the year ended*</b>	<b>31-03-2019</b>	<b>31-03-2020</b>
	<b>Audited</b>	<b>Audited</b>
Total Income	9.28	15.5
PAT	0.20	0.23
Interest Coverage (Times)	1.04	1.0
ROTA (%)	0.52	0.35
Total Assets	57.23	72.82
Total Debt	51.34	65.4
Tangible Net worth	5.42	5.6

\*Classification as per Infomerics' standards

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**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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. 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 Limits – Term loan (Proposed)	Long Term	20.00	IVR B+/Stable	IVR B+/Stable As on December 31, 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](http://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.

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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