



Press Release

RBA Finance Private Limited (RBAFL)

October 07th, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Cash Credit	10.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	10.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from healthy operational indicators backed by its association with Bajaj Finance Limited and established track record of promoters. However, the rating strengths are partially offset by product concentration and modest scale of operations.

Key Rating Sensitivities:

- **Upward Factor**

- Significantly 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 capital structure, which can impact the profitability or the capital position.

Key Rating Drivers with detailed description

Key Rating Strengths

- **Healthy operational indicators backed by its association with Bajaj Finance Limited:**

RBAFL's outstanding loan portfolio has grown to INR73.71 Crore as on March 31st, 2020 (P) as against INR46.91 Crore as on March 31st, 2019. It has reported a moderate growth while maintaining asset quality and the profitability measures. The Company reported Gross NPAs of 1.33% as on March 31st, 2020(P) as against 2.06% as on March 31st, 2019. It has adopted



Press Release

prudent lending practice as seen from its average LTV, which is in the bucket of 51-75% of its over AUM. The low delinquency levels have enabled the Company to maintain healthy profitability measures. Its Net interest margins stood comfortable in the range of 11-14% in the last three years. The Company reported Return on Average Assets (RoAA) of 2.71% in FY2020 (P).

RBAFL commenced its operations from 1996 and since some years now have come into association with Bajaj Finance Limited, wherein it manages assets under the name of Bajaj Finance Limited. The increasing off-book exposure reflects the market acceptability of the robust underwriting practices adopted by the Company.

- ***Established track record of promoters:***

RBA Group, promoter of RBA Finance Private Limited (RBAFL) has its presence in various industry, namely insurance services, real-estate and financial services. RBAFL and the Group share same senior management, which gives a certain financial and operational flexibility and visibility. The board of director comprises of Mr. Radha Ballabh Agarwal, Mr. Shyam Sundar Agarwal (MBA), Mr. Kapil Agarwal (Chartered Accountant) and Mr. Sushil Kumar Singh (Retired Deputy SP). Altogether, they have decades of experience in the financial services industry. The Company reported a net worth of INR14.16 Crore as on March 31st, 2020 (P).

The Company's operations are mainly concentrated around central and northern India with its major disbursements originating from Uttar Pradesh, Madhya Pradesh and Punjab. Besides, it has presence in other states like Haryana, Rajasthan and Uttarakhand. Further, the Company's ability to enter other states will gradually de-risk its portfolio from geographical concentration risk.

Key Rating Weaknesses

- ***Product concentration:***

The Company's overall credit profile is susceptible to concentration towards three wheeler financing which in turn is prone to inherent risk of low-mid income profile of the borrower. Around 97% of RBAFL's loan book as on March 31st, 2020 (P) accounts to three wheeler financing. The extent of disruption in credit profile of these borrowers can be established with certainty only after efficient collection going forward. As per the Company's record, they



Press Release

have a positive response in the collection as majority of its three wheeler financed vehicles were in demand during the lockdown period. Any long term stress on the asset quality can lead to elevated credit cost. Avoiding fresh slippages while maintaining the growth in the AUM will be crucial.

- **Modest scale of operations:**

Established in 1996, RBAFL's outstanding loan book stood at INR73.71 Crore as on March 31st, 2020 (P) plus its association with Bajaj Finance Limited benefits them improving its reach. It is engaged in lending with a loan tenure upto 36 months. The Company is in expansion stage wherein the management plans to grow its AUM by increasing its presence in existing geographies and adding new lending products. Though the Company's capitalization is pinned which is seen by its CAR (%) of 18.04% as on March 31st, 2020 (P) when compared to 24.42% as on March 31st, 2019, it stands above the regulated guidelines. Going forward, the Company's ability to raise additional lending and its ability to deploy the funds profitably will be key monitorable.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

RBAFL's overall liquidity remains adequate with no negative cumulative mismatches in the long term as per the ALM as on March 31st, 2020. The working capital limits availed from its lender is moderately utilized at around 95% for the last 12 months ended June 2020. Its cash and bank balances (including fixed deposits) stood at INR2.14 Crore as on March 31st, 2020 (P).

About the Company

Agra based, RBA Finance Private Limited (RBAFL) is a non-deposit taking Non-Banking Financial Company (NBFC). It is engaged in extending Vehicle Loans, Loans against Property and Business loans directed towards SMEs/MSMEs. The Company was



Press Release

incorporated in the year 1996 and its major shareholder is the Agarwal family, of the RBA Group from Agra, Delhi. The Company has also entered into an agreement dated April 19th, 2016 with Bajaj Finance Limited (BFL) to provide the portfolio management services and acts as a business channel partner with BFL.

Financials:

(INR Crore)

For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	11.19	13.22	16.07
Interest	3.70	4.20	5.75
PAT	0.91	1.29	1.58
Total Debt	10.51	14.54	41.26
Total Net-worth	32.43	36.51	36.62
Total Loan Assets	40.32	46.91	73.71
Ratios (%)			
PAT Margin (%)	8.14	9.76	9.84
Overall Gearing Ratio (x)	0.93	1.16	2.91
GNPA (%)	NA	2.06	1.33
NNPA (%)	NA	1.46	0.96
CAR (%)	NA	24.42	18.04

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings has reaffirmed the rating of RBA Finance Private Limited in the Issuer Non-Cooperating category as per the Press Release dated July 27th, 2020.

Acuite has reaffirmed the rating of RBA Finance Private Limited in the Issuer Non-Cooperating category as per the Press Release dated October 29th, 2019.

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount	Rating	Date(s)	Date(s)	Date(s)



Press Release

.	Facilities		outstanding (INR Crore)		&Rating(s) assigned in 2019-20	&Rating(s)) assigned in 2018- 19	&Rating(s)) assigned in 2017- 18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	10.00	IVR BB+	--	--	--

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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Press Release

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	10.00	NA	NA	NA	IVR BB+/Stable