



Press Release

ASREC India Limited (AIL)

May 01, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term Bank Facilities – Term Loans	11.32 (Decreased from 23.23)	IVR A/ Stable (IVR Single A with stable outlook)	IVR A/ Stable (IVR Single A with stable outlook)	Reaffirmed	Simple
Proposed Fund Based - Long Term Bank Facilities – Working Capital facilities	78.68 (Increased from 66.47)	IVR A/ Stable (IVR Single A with stable outlook)	IVR A/ Stable (IVR Single A with stable outlook)	Reaffirmed	Simple
Fund Based - Short Term Bank Facilities – Secured Overdraft	10.00	IVR A1 (IVR A One)	IVR A1 (IVR A One)	Reaffirmed	Simple
Total	100.00 (Rupees Hundred Crore Only)				

Note: Mr. B A Prabhakar who is one of the Board of Directors at Infomerics Valuation and Ratings Private Limited (Infomerics) is also on the Board of ASREC India Limited as an Independent Director. However, he did not participate in the rating exercise of this Company, including the rating decision.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank loan facilities of ASREC India Limited (AIL) continues to derive comfort from the experienced promoters and management team, healthy AUM levels and recoveries and strong capitalisation with low gearing. However, ratings are constrained by volatile earnings profile, poor track record of resolution of stressed assets in India, intense competition in the asset reconstruction sector and risks associated with any adverse changes in the distressed assets policy framework.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in AUM, along with significant recoveries and redemptions resulting in improved revenues and profitability.

Downward Factors

- Lower than expected acquisition of new assets, delay in resolutions of assets impacting the earnings profile or more than expected rise in gearing and/or deterioration in capital adequacy.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Healthy AUM and recovery levels

AIL's overall AUM has been constantly increasing on y-o-y basis to Rs 2550.54 Crore in FY23 on the back of fresh acquisitions. Total recoveries have improved in FY23 with realisation of financial assets amounting to Rs 334.06 crore when compared to Rs 274.20 crore in FY22. AUM and recoveries for 9MFY24 stood at Rs 2504.10 crore and Rs 202.00 crore respectively.

Strong capitalization and comfortable gearing

The capitalisation of AIL is strong with total CRAR of 75.67% and Tangible Net worth of Rs 205.37 Crore as on 31 March 2023 against regulatory requirement of 15%. The overall gearing has remained low at 0.25x as on 31 March 2023.

Experienced promoters and management

AIL is sponsored by prominent public sector banks including Indian Bank (37.50% stake), Bank of India and Andhra Bank (25.50% stake each), Life insurance Corporation of India (9.0% stake) and Deutsche Bank (0.50% stake) as on March 31, 2023. The Board of the Company comprises of experienced professionals with banking and legal background. AIL is headed by Mr. Girish Sharan Sinha (MD and CEO) who has vast experience of over a decade in Asset Reconstruction Companies (ARCs). The board of directors is headed by Mr. V.K.



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Shunglu, Chairman and Independent director, who was the Ex-comptroller and auditor general of India. However, Infomerics did not factored in any support of promoters due to fractured shareholding.

Key Rating Weaknesses

Volatile earnings profile

Revenues and profitability of AIL are susceptible to timely recoveries/resolution of financial assets. Any delay in the same will impact the earnings profile of the company which is reflected in the volatility in the earnings profile of the company. AIL total income has declined to Rs 43.04 crore when compared to Rs 59.91 crore in FY22 due to lower recoveries. For 9MFY24, the company has reported total income of Rs 23.76 crore and PAT of Rs 8.88 crore and as per management AIL has achieved revenue of Rs 51.35 crore and PAT of Rs 20.79 Crore on a provisional basis. The delay in resolution/recovery will also impact the profitability of the company as they must provide provisions against outstanding SRs.

Poor track record of resolution of stressed assets in India

The Indian distressed assets market is still in a nascent stage with limited seasoning. The sector is gradually growing with more regulatory policies taking shape. Generally, the track record of resolution of stressed assets in India is poor. However, with the onset of the IBC (Insolvency and Bankruptcy Code) in India, the situation is very likely to improve.

Intense competition in the Asset Reconstruction sector

There are ~28 registered ARCs in India, which manage more than Rs. 1 lakh Crore of AUM. The competition in the stressed asset market is on the rise with an increase in the number of players. Also, due to the change in the model of ARCs to more cash-based buying as against largely a security receipts-based model adopted earlier, big players may give stiff competition to smaller players.

Risk associated with any adverse changes in the distressed assets policy framework.

The Company is exposed to risk emerging out of any adverse changes in the distressed assets policy framework. Despite having sufficient asset acquisition and resolution policy framework,



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ARCs might keep on confronting difficulties given the inherent nature of the business and the asset reconstruction industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Criteria of assigning Rating Outlook](#)

[Complexity level of rated instruments/Facilities](#)

[Policy on Default Recognition](#)

Liquidity: Adequate

AIL has adequate liquidity with tangible net worth of Rs 205.37 crore as on 31 March 2023. It also has cash and cash equivalents stood at INR 15.09 Crore and unutilised bank facilities of Rs 10.00 Crores as on 31 March 2024.

About AIL

AIL, an ISO 9001:2008 certified, public limited company, incorporated under the Companies Act 1956 has been granted certificate of registration by RBI on October 11, 2004, to carry out activities under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002. Their principal business is to acquire non-performing financial assets from banks / financial institutions, manage them through restructuring, and resolve them in a time-bound manner through active interventions.

Financials (Standalone)*:

Rs in Crores

For the year ended/As on*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Income	59.91	43.04



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PAT	20.38	17.98
Assets Under Management	1487.05	2550.54
Recoveries	274.20	334.06
Tangible Networth	186.95	205.37
Total debt	32.14	51.69
Overall Gearing (Times)	0.17	0.25
Total CRAR (%)	74.31	75.67

***Classification as per Infomerics' standards**

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 – (02 March 2023)	Date & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based - Bank Loan Facilities – Term Loans	Long Term	11.32	IVR A/Stable	IVR A/Stable	-	-
2.	Proposed Fund Based -Bank Loan Facilities – Working Capital Facilities	Long Term	78.68	IVR A/Stable	IVR A/Stable	-	-
3.	Fund Based – Bank Loan Facilities – Secured Overdraft	Short Term	10.00	IVR A1	IVR A1	-	-

Name and Contact Details of the Rating Director:



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to the best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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 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.



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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based - Long Term Bank Facility –Term Loan	-	-	-	December 2025	11.32	IVR A/ Stable
Proposed Fund Based - Long Term Bank Facilities – Working capital	-	-	-	Revolving	78.68	IVR A/ Stable
Fund Based - Short Term Bank Facility – Secured Overdraft	-	-	-	Revolving	10.00	IVR A1

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-ASREC-01may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.