



Press Release

Agriwise Finserv Limited (AFL)

(Erstwhile StarAgri Finance Limited)

February 18, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator (Simple/High/ Complex)
Non-Convertible Debentures (NCD)	10.00	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed	Highly complex
Proposed Non- Convertible Debentures (NCD)	40.00	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed	Highly Complex
Long term Bank Facilities – Term Loans	79.54	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed	Simple
Long term Bank Facilities – Proposed Term Loan	220.46	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with	Reaffirmed	Simple



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		Developing Implication)	Developing Implication)		
Long term Bank Facilities – Cash Credit	50.00	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed	Simple
Total	400.00				

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities and Non-Convertible Debentures (NCDs) of Agriwise Finserv Limited (AFL) continues to derive comfort from the experienced management, diverse borrowing profile and comfortable capitalisation with low gearing. However, ratings are constrained on account of consistent degrowth witnessed in the loan portfolio, credit risk concentration, moderation in profitability as well as asset quality.

Further rating continues to be placed under credit watch with developing implication to monitor the revival in the loan portfolio growth and to monitor the asset quality i.e., Gross NPAs & Net NPAs.

Key Rating Sensitivities:

Upward Factor:

- Growth in loan portfolio along with increase in profitability.
- Substantial improvement in asset quality on a sustained basis.

Downward Factor:

- Weakening of credit profile and decline in asset quality.
- Deterioration in the capitalization levels.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management

The Managing Director of the company is Mr. Suresh Goyal who has more than 3 decades of experience in agriculture and farming related businesses like agri-financing, agri-procurement, commodity trading and warehousing. He has been associated with leading corporates in advisory and consulting roles. Mr. Amit Kumar Goyal who is Executive Director of the company who oversees administration and operations at AFL. Mr. Amith Agarwal handles corporate tie-ups and legal and financial matters along with Business Development activities of AFL.

Diverse borrowing profile

AFL enjoys good financial flexibility, being a part of Agriwise Group, they have access to funds from diversified entities comprising of banks and other lenders, including SBI, Dena Bank, Corporation Bank, Bank of Maharashtra, Indian Bank and Canara Bank among others; providing them access to funds from a diverse group at competitive interest rates. The cost of borrowings for the company has been within the range of 10%-13%.

Comfortable capitalisation coupled with low gearing

On the back of the degrowth witnessed in the loan portfolio and retention of profits, AFL has comfortable capitalisation with total CRAR of 61.18% as on 31 December 2021. At the same time, given the conscious decision of the company to curtail its disbursements, securitise loan assets and reduce debt levels has helped the company to reduce its gearing from 1.47x in FY20 to 0.43x in 9MFY22. The total debt of the company (largely consisting of term debt) has been declined from Rs 241.61 crore in FY20 to Rs 201.19 crore in FY21 and further to Rs 136.86 Crore.

Key Rating Weaknesses

Continued de-growth in loan portfolio and moderation in profitability



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AFLs loan portfolio has consistently declined in the past three years on account of a cautious approach followed by the company due to sharp increases in NPAs in this lending segment. The loan portfolio has declined from Rs 454.41 crore in FY19 to Rs 325.30 crore in FY21. It has further declined to Rs 228.42 in 9MFY22. This is also evident with the decline in total income over the past three fiscals from Rs 73.59 crore in FY19 to Rs 54.48 crore in FY21 and further to Rs 28.20 crore in 9MFY22. PAT has also declined from Rs 5.86 crore in FY20 to Rs 3.37 crore in FY21. However, the same has improved with company reporting a PAT of Rs 7.55 Crore for 9MFY22.

Credit risk concentration

The target borrower segment, comprising entities in the agriculture segment, specifically targeting borrowers with a modest credit profile who are susceptible to commodity price fluctuation risk and risks of adverse weather conditions. The company has identified value chains in the agriculture segment and geographies based on their own experience and consumer credit behaviour, although focusing on value chains have helped them in creating an expertise in that segment. Their loan origination factors in the prospective borrower's within the agri value chain and their past transaction history, apart from the credit bureau checks and the financial assessment. Concentration on any one asset segment/sector is deemed to be riskier as any unexpected changes in the market or regulatory dynamics could impact the earnings performance of the company.

Moderate albeit, improving Asset Quality

Given the impact of COVID 19 on the collections and low seasoning of the portfolio, asset quality of the company deteriorated with Gross and Net NPA ratios increasing to 6.96% and 3.46% respectively as on March 31, 2021. As informed by the management, the company had adequate collateral of commercial/ residential properties against all NPA accounts and hence was able to sell down NPA accounts worth ~Rs 55 Crores to Asset Reconstruction Companies (ARCs) with a haircut of ~Rs 11 Crores coupled with improved collections, the GNPA and NNPA has come down to 1.69% and 0.84% respectively in 9MFY22. The ability of the company to maintain healthy asset quality on a sustainable basis will be a key rating sensitivity.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Non-Banking Financial Companies: [Financial Institutions/NBFCs | Infomerics Ratings](#)

Financial Ratios & Interpretation: <https://www.infomerics.com/rating-criteria-detail/financial-ratios-implication>

Liquidity - Adequate

Liquidity is adequate given the Asset Liability Mismatch (ALM) profile of the company as on December 31st, 2021, had no negative cumulative mismatch across various buckets and total CRAR of 61.18%. AFL had cash and cash equivalents of Rs 23.91 Crores as on December 31 2021, tangible networth of Rs 178.16 Crores and gearing of 0.43x. With the improving collection efficiency and recoveries, the company is expected to maintain adequate liquidity.

About the Company

Agriwise Finserv Limited (AFL) (Erstwhile StarAgri Finance Limited), the company was renamed in FY20 and was incorporated in March 1995 post acquisition of a Baroda-based NBFC named Raylight Leasing and Finance Limited by Star Agriware housing and Collateral Management Limited during FY15 (Parent company of AFL). Company is catering the fund requirement of the Agri & MSME borrowers through the diversified product suite consist of Agri Term Loan, Secured Term Loan, Commodity based Financing (Agri Commodity Loans), Short term Working Capital loans (Flexi loans) and B2C loans (Invoice discounting). The company re-started its operations under the current management in February 2015. The company has presence in 5 states across 22 locations and expanding to more locations in future.

Financials (Standalone)

INR in Crore		
For the year ended* As on	31-03-2020	31-03-2021



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	Audited	Audited
Total Income	68.49	54.48
PAT	5.86	3.37
Tangible Net Worth	163.94	165.95
Total Loan Assets	331.52	325.30
ROTA (%)	1.30	0.87
Total CAR (%)	48.37	47.63
Gross NPA (%)	7.46	6.96
Net NPA (%)	6.22	3.46

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: October 06, 2021)	Date(s) & Rating(s) assigned in 2021-22 (Dated: September 17, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated: September 22, 2020)	Date(s) & Rating(s) assigned in 2020-21 (Dated: July 02, 2020)
1.	Non-Convertible Debentures (NCD)	Long Term	10.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	IVR BBB/ Negative Outlook
2.	Proposed Non-Convertible Debentures (NCD)	Long Term	40.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	IVR BBB/ Negative Outlook
3.	Fund Based Facility – Term	Long Term	79.54	IVR BBB-/ Credit	IVR BBB-/ Credit	IVR BBB-/ Credit	IVR BBB/ Negative	-



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	Loan			Watch with Developing Implication	Watch with Developing Implication	Watch with Developing Implication	Outlook	
4.	Fund Based Facility – Proposed Term Loan	Long Term	220.46	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	-
5.	Fund Based Facility – Cash Credit	Long Term	50.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	-

Name and Contact Details of the Rating Analysts:

Name: Mr. Sree Harsha Tel: (022) 62396023 Email: sree.harsha@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@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	Tenor	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (NCD)	-	12%	3 Years	10.00	IVR BBB-/ Credit Watch with Developing Implication
Proposed Non-Convertible Debentures (NCD)	-	-	-	40.00	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Term Loan	-	-	-	79.54	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Proposed Term Loan	-	-	-	220.46	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Cash Credit	-	-	-	50.00	IVR BBB-/ Credit Watch with Developing Implication

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Agriwise-Finserv-lenders-feb22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:



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- To maintain the value of security at all times equal to 1.1 (One decimal point one) time or 110.0% (One hundred and ten percent) the aggregate amount of principal and interest outstanding of the NCDs where at least 1.1 (One decimal point one) time or 110.0% (One hundred and ten percent) of the security cover is from principal and interest receivables.
- Minimum CRAR as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.

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.

