



Press Release

Akme Fintrade (India) Limited (AFIL)

March 09, 2023

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating Assigned	Rating Action	Complexity indicators
1	Long Term Fund Based Bank Facilities – Cash Credit	61.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
2	Long Term Fund Based Bank Facilities – Term Loans	18.09	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
3	Long Term Fund Based Bank Facilities – Non Convertible Debentures	10.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
4	Proposed Long Term Fund Based Facility	30.91	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
		120.00	Rupees One Hundred Twenty Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities and Non Convertible Debentures (NCDs) of Akme Fintrade (I) Limited (AFIL) derives comfort from its experienced promoters and management team, moderate scale of operations and profitability, moderate capital adequacy and leverage position, promising equity infusions and strong risk management system. However, the rating strengths are partially offset by Geographical concentration of the portfolio, Competitive nature of industry and Moderate Asset Quality.

Key Rating Sensitivities:

- **Upward Factor**

- Significant scaling up the business operations while maintaining the asset quality and profitability indicators

- **Downward Factor**

- Significant deterioration in leverage indicators, asset quality and/or profitability metrics in order to improve the lending operations



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters and Management

The company is promoted by Mr. Nirmal Kumar Jain, a Chartered Accountant and Cost Accountant who has experience of more than two decades in the lending sector. The Company's board constitutes of qualified and experienced directors. The prior relevant experience of the directors brings in a high degree of operational expertise. The company's established track record of operations as well as the extensive experience of its management has enabled it to establish itself in the market.

Moderate scale of operations and profitability

The Company's operating income has declined in last two years on the backdrop of COVID - 19 hit observed from INR100.75 Crore in FY20 to INR67.50 Crore in FY22, however the overall AUM also observed the hit. However, the performance of the company has started picking up from FY23 onwards wherein the company recorded topline of INR45.21 Crore as on December 2022 against the projected topline of INR67.51 Crore. The company has further streamlined its recovery process and also made cautious efforts towards disbursement of loans and has recorded AUM of ~INR326 Crore as on December 2022.

Further, the Company posted a Net Profit of INR4.33 Crore in FY22 (FY21: INR16.70 Crore) backed by the amount of write offs made by the company faced due to global pandemic hit, However, the position tends to improve from FY23 onwards wherein in last 9MFY23 the company recorder profit of ~INR11 Crore. The NIM and NII are also expected to improve in the projected period on account of cautious approach adopted in disbursements made, along with the introduction of new website named AASAAN Loans backed with operational prudent practices.

Moderate capital adequacy and leverage position

The Capital Adequacy Ratio (CAR) of the Company stood at ~26.65% as on March 31, 2021 compared to 33.49% in FY22 and further improved to 39.70% as on September 30, 2022 on a provisional basis backed by the equity infusions made by the promoter group and existing



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shareholders. The overall gearing of the company remained moderate and comfortable at 1.67x as on March 31, 2022 as compared to 2.43x as on March 31, 2021.

Promising Equity Infusions

The company's promoters and existing shareholders have already infused ~INR52 Crore in FY23 till December 2022. Further, the company has filed preliminary papers with capital markets regulator SEBI to raise funds through an Initial Public Offering (IPO). The public issue comprises fresh issuance of 1.1 crore equity shares and no offer for sale (OFS) component, according to the Draft Red Herring Prospectus (DRHP). The proceeds of the issue will be used to augment capital base of the company.

Strong risk management systems

The Company has an employee strength of over 159 employees. The credit underwriting policy ensures rigorous evaluation of the risks associated with any proposal and identification of the risk mitigants. The Company monitors the performance of the portfolio very closely and does not deploy any outside agency for recovery activity. The recoveries are being made by AFIL employees with regular interaction with the clients.

Key Rating Weaknesses

Geographical concentration of the portfolio

The AFIL manages the portfolio of INR351.53 Crore in FY22 spread across in five different states, however the company's geographical concentration risk remains high with 71.11% of portfolio originating from Rajasthan followed by Gujarat (9.29%), Madhya Pradesh (11.88%), Maharashtra (7.38%) and Odisha (0.34%).

Competitive nature of industry

AFIL is exposed to stiff competition from other NBFCs and banks operating in the similar segment. Better capitalized and more conservatively run finance companies are likely to swallow up an increasing number of smaller rivals. The current uncertainty in the market will lead NBFCs with financially strong backers stand out.



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Moderate Asset Quality

The Gross NPA and Net NPA for AFIL stood at 4.90% and 4.05%, respectively as on March 31, 2022, as compared to 3.57% and 2.97%, as on March 31, 2021. However, AFIL has comfortable asset management with dpd (on time) at more than 82% as on September 30, 2022, reflecting effective collection mechanism in the projected period.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)
[Criteria for Outlook](#)

Liquidity: Adequate

Liquidity is marked adequate by the balanced ALM profile for the short to medium term with sufficient cushion of inflows as against its repayment obligations largely because of its Short – mid term lending type of loans as against term debt availed. Apart from it, the company maintains cash and cash equivalents of about INR0.74 Crore as on March 31st, 2022 and average working capital utilization of ~95% in last 12 months ended November, 2022.

About the Company

Akme group was founded in 1996 in Udaipur, Rajasthan. The company is operating its business for more than two decades, it is a non-deposit taking non-banking financial company (NBFC).

The company is engaged in the business of asset financing and has different verticals of the financial sector. AFIL has shifted its focus to secured lending from unsecured lending. The company's products portfolio includes Two Wheeler Finance, Three Wheeler Finance, Four Wheeler Finance, Loan Against Property, Business Loan, Personal Loan, etc. Over the years the Company has been able to maintained long relationship with its customer.



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Financials: Standalone

(INR. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	88.38	67.50
Interest	47.99	34.93
PAT	16.70	4.33
Total Debt	317.82	230.06
Tangible Net worth	131.23	137.85
Total Loan Assets	412.84	342.87
Ratios		
PAT Margin (%)	18.89	6.41
Overall Gearing Ratio (x)	2.43	1.67
Gross NPA (%)	3.57	4.90
Net NPA (%)	2.97	4.06
CAR (%)	29.41	35.07

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019- 20
1	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	61.00	IVR BBB- / Stable Outlook	--	--	--
2	Long Term Fund Based Bank Facilities – Term Loans	Long Term	18.09	IVR BBB- / Stable Outlook	--	--	--
3	Long Term Fund Based Bank Facilities – Non Convertible Debentures	Long Term	10.00	IVR BBB- / Stable Outlook	--	--	--
4	Proposed Long Term	Long	30.91	IVR BBB- /	--	--	--



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	Fund Based Facility	Term		Stable Outlook			
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	61.00	IVR BBB- / Stable Outlook
Long Term Fund Based Bank Facilities – Term Loans	--	--	Up to March 2027	18.09	IVR BBB- / Stable Outlook
Long Term Fund Based Bank Facilities – Non Convertible Debentures	June 30, 2020	12% p.a.	June 30, 2023	10.00	IVR BBB- / Stable Outlook
Proposed Long Term Fund Based Facility	--	--	--	30.91	IVR BBB- / Stable Outlook

Annexure 2: List of companies considered for consolidated analysis: None

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-AFIL.pdf>

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

Annexure 5: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.