



Press Release

CFM Asset Reconstruction Private Limited (CFM ARC)

March 13, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund Based Long Term Bank Facilities – Term Loans	77.38 (Increased from 7.39)	IVR A-/Stable (IVR A Minus with Stable outlook)	IVR A-/Stable (IVR A Minus with Stable outlook)	Rating reaffirmed	Simple
Fund Based Long Term Bank Facilities – Proposed Long Term Loans	47.62 (Decreased from 117.61)	IVR A-/Stable (IVR A Minus with Stable outlook)	IVR A-/Stable (IVR A Minus with Stable outlook)	Rating reaffirmed	Simple
Fund Based Short Term Bank Facilities – Secured Overdraft	50.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating reaffirmed	Simple
Non-Convertible Debentures (NCDs)	0.00 (reduced from 34.00)	-	IVR A-/Stable (IVR A Minus with Stable outlook)	Rating withdrawn*	Simple
Total	175.00 (Rupees One Hundred Seventy-Five Crore Only)				

*The rating assigned to NCD issue of Rs 34.00 crore bearing ISIN no INE865X07017 is being withdrawn at the request of the company as the NCDs are fully redeemed and the company has shared the “No Dues Certificate” issued by debenture trustee. The withdrawal of the rating in is line with Infomerics rating withdrawal policy.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

The reaffirmation of ratings to the bank loan facilities of CFM Asset Reconstruction Private Limited (CFM ARC) continues to derive comfort from the healthy AUM and recovery levels, stable earnings profile, and comfortable capitalisation levels. However, the ratings are constrained by risk of crystallization of contingent liabilities, poor track record of resolution of stressed assets in India, intense competition and risk associated with any adverse changes in the distressed assets policy framework.



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The “Stable” outlook is on account of stable earnings profile, consistent improvement in recoveries and Infomerics expectation that the growth momentum will continue on the back of strong capitalisation and established track record of CFM ARC in acquisitions and recoveries.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in AUM, along with significant recoveries and redemptions resulting in an increase in the scale of operations coupled with stable revenue stream from asset management fees.

Downward Factors

- Lower than expected acquisition of new assets, delay in resolutions of assets purchased in the past impacting the earnings profile of the company 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

CFM ARCs Asset under management (AUM) has been consistently increasing YoY basis with AUM increasing to Rs. 5,032.25 crore in FY24 (period refers from 01st April 2023 to 31st March 2024) (Rs 4251.99 crore in FY23) and further to Rs 5,807.56 crore in 9MFY25 on the back of improved acquisition of assets. At the same time, the recoveries remained healthy with CFM ARC recovering Rs 1,536.61 crore in FY24 when compared to Rs 2,207.82 crore in FY23. However, the recoveries for 9MFY25 were lower at Rs 312.33 crore on the back of delay in resolution of few large accounts. However, the management has informed that they are final stages of recoveries in these accounts and expect the recoveries to substantially improve in Q4FY25.

Stable earnings profile



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Despite the volatility in recoveries which impacts the earnings profile of the ARCs, CFM ARC has been able to maintain stable earnings profile with total income of Rs 201.62 crore and PAT of Rs 35.22 crore for FY24 when compared to total income of Rs 204.69 crore and PAT of Rs 31.56 crore in FY23. The Profit after tax (PAT) margin of the company remained healthy at 17.47% in FY24 (15.42% in FY23). Total revenues and PAT of the company stood at Rs 73.48 crore and Rs 6.42 crore for 9MFY25.

Comfortable capitalization levels

On the back of need-based capital infusion from the promoters, CFM ARC has been able to maintain comfortable capitalisation levels. The overall Capital adequacy ratio (CRAR) stood comfortable at 30.41% as on December 31, 2024 (38.99% in FY24), as against regulatory requirement of 15%. The overall gearing remained comfortable at 1.27x as on 31 March 2024 (0.50x in FY23) on the back of increased debt levels availed for acquisition of assets.

Key Rating Weaknesses

Any significant crystallization of the liabilities which are contingent in nature arising out of the Income Tax demand assessment

The assessment proceedings consequent to the search u/s 132 of the Income-tax Act, 1961 were completed in the months of December-2022 & June-2023 & accordingly assessment orders along with demand notices were received for Rs 5.54 Crores. CFM ARC has filed appeals before the Commissioner of Income-tax (Appeals), Mumbai. This remains to be a key rating sensitivity factor and Infomerics shall continue to closely monitor the same.

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 and the vulnerability of earning profile due to volatile nature of cash flows

There are ~28 registered Asset Reconstruction Companies (ARCs) in India, which manage more than Rs. 1 lakh Crore of Asset under management (AUM). The competition in the



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stressed asset market is on the rise with an increase in the number of players. Also, due to the change in the model of Asset Reconstruction Companies (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. The recoveries might not always be as estimated, as the resolution of stressed assets is subject to many factors. Due to the nature of its business the recovery from acquired assets is difficult to predict.

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, Asset Reconstruction Companies (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](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

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

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Policy on Withdrawal of Ratings](#)

Liquidity – Adequate

CFM ARCs has strong Networth of Rs. 278.25 crore as on 31 December 2024. The average OD utilization stood at ~75% for the last 12-months period ending December 2024. As of 31 December 2024, the company had a cash and bank balance of Rs. 63.34 crore and fixed deposit of Rs 7.30 crore. The overall CRAR stood comfortable at 30.41% as on December 31, 2024, as against regulatory requirement of 15%.

About the Company

CFM Asset Reconstruction Pvt. Ltd (“CFM ARC” or the “Company”) was incorporated on 30th July 2015 and has successfully secured Asset Reconstruction Company license on 3rd Aug



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2016 from the Reserve Bank of India (“RBI”) under Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act 2002 (SARFAESI Act).

Financials (Standalone)*:

Rs in Crores

For the year ended As on	31-03-2023	31-03-2024
	Audited	Audited
Total Income	204.69	201.62
PAT	31.56	35.22
Tangible Net Worth	228.38	266.60
Total Debt	114.05	339.84
AUM	4251.99	5,203.78
Ratio's		
ROTA (%)	5.88	6.95
Total CRAR (%)	33.30	38.99
Overall Gearing (Times)	0.50	1.27
Interest Coverage(Times)	3.77	4.03
PAT margin (%)	15.42	17.47

*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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	77.38	IVR A-/ Stable	IVR A-/ Stable (Mar 29, 2024) IVR A-/ Stable (Jan 10, 2024)	IVR A-/ RWNI (Mar 08, 2023) IVR A-/Stable (11 Oct 2022) IVR A-/Stable (28 Jun 2022)	IVR A-/CWDI (10 Jan 2022) IVR BBB+/ CWNI (28 Dec 2021) IVR A-/Positive (7 Oct 2021)
2.	Proposed Long Term Loans	Long Term	47.62	IVR A-/ Stable	IVR A-/ Stable (Mar 29, 2024)	IVR A-/ RWNI (Mar 08, 2023)	IVR A-/CWDI (10 Jan 2022)



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					IVR A-/Stable (Jan 10, 2024)	IVR A-/Stable (11 Oct 2022) IVR A-/Stable (28 Jun 2022)	IVR BBB+/CWNI (28 Dec 2021) IVR A-/Positive (7 Oct 2021)
3.	Secured Over Draft	Short Term	50.00	IVR A2+	IVR A2+	IVR A2+/RWNI (Mar 08, 2023) IVR A2+ (11 Oct 2022) IVR A2+/CWNI (28 Jun 2022)	IVR A2+/CWNI (10 Jan 2022) IVR A2 (28 Dec 2021) IVR A2+ (7 Oct 2021)
4.	Non-Convertible Debentures	Long Term	0.00	Withdrawn	IVR A-/Stable (Mar 29, 2024)	-	-

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About Infomerics:

Infomerics Valuation and Rating 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 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



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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.

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

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Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
Term Loans	-	-	-	Up to Jun 29	77.38	-	IVR A-/Stable
Proposed Long Term loans	-	-	-	-	47.62	-	IVR A-/Stable
Secured Overdraft	-	-	-	Revolving	50.00	-	IVR A2+
NCD	INE865 X07017	-	-	-	-	Unlisted	Withdrawn

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-cfmarc-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:



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Brief term of NCD issue of Rs 34.00 crore being withdrawn:

Issuer	CFM Asset Reconstruction Private Limited
Investor	Multi-Act Trade and Investments Pvt Ltd, The Indian Card Clothing Co. Ltd and Multi Act Realty Enterprises Pvt Ltd
ISIN	INE865X07017
Issue	Rated, unlisted secured NCDs through private placement
Nature of Instrument	Secured
Issue Size	INR 34.00 Crore
Purpose	Acquisition of pool of secured (wholesale/retail) financial assets from NBFCs/FIs/Bank's/HFCs under 15:85 Cash:SR structure
Tenor	3 years with bullet repayment on redemption date The tenor can be extended at the request of ARC and approval of the Investor by a further period of 2 years.
Security Summary	<ul style="list-style-type: none">• Pledge of SR's within 30 days from the date of issuance of NCDs to 2X• Hypothecation of all cashflows/assets accruing to ARC in relation to above SRs – Agreement to be executed prior to issuance of NCDs
Coupon %	Fixed return of 10% p.a. payable annually
Call/put option	No prepayment before 12 months from the date of first drawdown. No prepayment penalty is applicable after 12 months
Events of default	<ul style="list-style-type: none">• Nonpayment of fixed coupon on due dates• Non-redemption of entire NCDs at the end of 5 years
Financial Covenants	None
Issue date	26 Dec 2023
Maturity date	26 Dec 2026

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.