



Press Release

Finkurve Financial Services Limited

February 14, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long term Facilities – Non-convertible debentures	7.50	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Long term Facilities – Term loans	25.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short term Facilities – Overdraft	17.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Long Term/ Short Term Facilities – Proposed facility	50.50 (Reduced from Rs. 75.50 Crore)	IVR BBB/ Stable; IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	Reaffirmed	Simple
Total	100.00 (Rupees One hundred Crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation takes into account the sustained improvement in the recent financial performance of Finkurve Financial Services Limited (FFSL) for FY23 and 9MFY24 coupled with increased loan asset book, improved Net Interest Income along with Net interest margin (NIM) and comfortable Capital adequacy ratio (CAR). The rating continues to derive strength from diversified loan book, co-lending (of gold loans) partnership with Indian bank and improved asset quality. However, rating strengths are constrained by exposure to corporate loans and challenging operating environment for non-banking financial institutions (NBFIs).



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Infomerics has taken note of change in revenue recording pursuant to the issuance of Digital Lending Guidelines issued by Reserve Bank of India (RBI) while analysing Unaudited Financial Results for the Quarter and Nine Months ended December 31, 2023.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio.
- Sustained improvement in the asset quality indicators, adequate capital position and profitability.

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for FFSL.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Diversified loan book

FFSL offers Pay Day loans and Gold Loans. The company's gross loan assets stood at Rs. 224.13 Cr. on March 31, 2023. With continued efforts of the company to lower its asset side risk, the secured loan portfolio has improved to ~70% in FY23 and trend continues in 9MFY24 as well. As envisaged, the share of retail loans has increased from 5% of Assets under management (AUM) in FY21 to 53% of the AUM in FY23. The AUM for 9MFY24 stood at Rs. 249.62 Cr. with 70% share of secured loans and remaining to unsecured loans. Though corporate loans still comprise a major part of the loan portfolio its share has consistently declined. Going forward, FFSL plans to maintain its corporate exposure around 30% and expand its presence across retail segment.

Co-lending (of gold loans) partnership with Indian Bank

FFSL entered into a collaboration agreement with Indian Bank. This is a strategic partnership aimed for offering Gold Loan using Augmont Goldtech's digital lending platform. Co-lending partnership shall provide access to the bank's lower cost of funds, allow leveraging Indian



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Bank's established customer base, benefiting from their regulatory framework and also shall grow FFSL's gold loan portfolio. Further, collaborating with Indian bank shall enhance the credibility of FFSL and shall also bring in brand value.

Improved asset quality

While the company is growing its portfolio, the Gross NPA as on 9MFY24 stood at Rs. 5.70 Cr. (2.28%) while the Net NPA was Rs. 1.26 Cr. (0.51%). The asset quality has improved post FY22, as the company received OTS entirely from M/s FS Housing Pvt Ltd which aided in reducing NPA Levels significantly. The average collection efficiency for the 12-months period ended Dec-2023 remained at an average of 85%. The asset side risk and probability of loss is low given the loan book majorly comprises gold loans which are highly liquid and is in the lender's possession.

B. Key Rating Weaknesses

Exposure to corporate loans

Corporate loans comprise a major portion of the loan portfolio, however with the continuous efforts to increase it education loans, payday loans and gold loans, its share has consistently declined. Going forward, FFSL plans to reduce its corporate exposure and expand its presence across retail segment. As envisaged, the share of retail loans has increased from 5% of AUM in FY21 to 53% of the AUM in FY23. Going forward, FFSL plans to maintain its corporate exposure around 30% and expand its presence across retail segment.

Challenging operating environment for NBFIs

Currently, NBFIs in India are facing liquidity and funding challenges, resulting in subdued growth/ degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFIs. The COVID-19 pandemic has aggravated the liquidity issues of NBFIs with the resultant impact on asset quality and profitability.

Analytical Approach: Standalone approach



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Applicable Criteria:

[Rating Methodology for Non-Banking Finance Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Structured Debt Transaction \(Non-Securitisation Transaction\) | Infomerics Ratings](#)

Liquidity –Adequate

The liquidity profile of the company remains adequate with positive cumulative mismatches across buckets as per ALM statement as on March 31, 2023, due to favourable asset maturity profile. FFSL's liquidity is supported by cash & cash equivalent of Rs. 4.46 crore as on March 31, 2023.

About the Company:

Incorporated in 1984, Finkurve Financials Services Limited (FFSL) (erstwhile Arvog Finance) is a non-deposit taking non-banking financial company (NBFC) listed on Bombay Stock Exchange. The Company received NBFC license in 1998 and FFSL was acquired in 2012 by Mr. Ketan Kothari. FFSL offers Gold Loans and Pay Day loans. For retail loans segment, the company works in collaboration with Fintech companies.

Financials (Standalone):

(In Rs. Crores)

For the year ended/ As on*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Income	22.70	50.63
Interest Expenses	3.31	4.95
PAT	21.61	14.32
Total Debt	23.05	51.46
Tangible Net Worth	157.81	172.39
Total Loan Assets (Net)	174.47	220.62
PAT margin (%)	95.20	28.29



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Overall Gearing Ratio (x)	0.15	0.30
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*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (April 25, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Sept.16, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Jul. 31, 2021)
1.	NCD	Long-term	7.50	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Overdraft	Short term	17.00	IVR A3+	IVR A3+	IVR A3	IVR A3
3.	Proposed facility	Long term/ Short term	50.50 (Reduced from Rs. 75.50 Crore)	IVR BBB/ Stable; IVR A3+	IVR BBB/ Stable; IVR A3+	IVR BBB-/ Stable; IVR A3	IVR BBB-/ Stable; IVR A3
4.	Term loan	Long-term	25.00	IVR BBB/ Stable	--	--	--

Name and Contact Details of the Rating Analyst:

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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 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.

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.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCD*	May 19, 2022	10% payable quarterly	August 12, 2031	7.50	IVR BBB/ Stable
Term loan	--	--	October 25, 2027	25.00	IVR BBB/ Stable
Overdraft	-	-	-	17.00	IVR A3+
Proposed facility	-	-	-	50.50	IVR BBB/ Stable; IVR A3+

*Synopsis of the Term Sheet

Total Issue Size (in Cr.)	Rs. 7.50 Crore
ISIN number	INE734I07016
Mode of Issue:	Private Placement (non-EBP)
Seniority	10% Secured, Unrated, Unlisted, Redeemable Non-Convertible Debentures



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Redemption date	August 12, 2031
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Finkurve-Financial-feb24.pdf>

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

Affirmative covenants:

- a) use the finance availed solely for the purposes set out in Article II (2.4) above.
- b) As and when required by the Investor to furnish to the Investor a detailed statement showing the manner in which the finance availed has been utilized.
- c) To keep such records as the Investor may require to facilitate verification of the utilization of the said finances.
- d) To provide to the Investor all such information relating to the Company's services, operations and other matters as the Investor may from time to time at its discretion request, including information relating to the administration, management and financial condition of the Company.
- e) To promptly notify the Investor if it has notice of any application for winding up having been made or of any statutory notice of winding up under the provisions of the Companies Act, 2013, or any other notice under or in respect of any other legal process filed or intended to be filed or initiated against the Company or if a custodian, liquidator or receiver is appointed of any of its properties, business or undertaking.
- f) To furnish to the Investor such financial statements as the Investor may specify, covering such periods as the Investor may specify.

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