



## Press Release

### **Terra Financial Services Private Limited**

**(Erstwhile Rashmi Exports Private Limited)**

**September 27, 2023**

#### **Ratings**

Facility	Amount (Rs. Crore)	Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facility (Proposed facility)	50.00	IVR BB-; Stable (IVR Double B Minus with Stable outlook)	Assigned	Simple
<b>Total</b>	<b>50.00</b> <b>(INR Fifty crore only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating assigned to the bank facilities of Terra Financial Services Private Limited (TF SPL) derives strength from its experienced and professional management team with adequate system & process. The rating also note growth in its operation in FY23. Further, the ratings also consider the stable assets profile coupled with comfortable liquidity profile of TF SPL. However, these rating strengths remain partially offset by the company's limited track record of operation, small scale of operation coupled with limited geographical presence.

#### **Key Rating Sensitivities:**

##### **Upward factors**

- Improvement in scale of operations and asset under management with increase in geographical reach
- Diversification in resource profile and ability of the company to raise equity capital and debt in a timely manner to maintain a prudent capitalisation profile
- Improvement in profitability by maintaining the credit costs and operating overheads on a sustainable basis, as the operations expand.

##### **Downward Factors**

- Moderation in scale of operations with sharp decline in asset under management and moderation in profitability
- Weakening of the profitability profile on account of higher operating overheads and higher credit costs, leading to a decline in ROTA



## Press Release

- Deterioration in the asset quality

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

- **Experienced and professional management team with adequate systems and processes**

TFSFPL is the subsidiary of Terra Motors India Private Limited which is a 100% Subsidiary of Japanese Company Terra Motor Corporation. Terra Motor Corporation is one of the leading E-Vehicle manufacturers in Japan. Mr. Akihiro Ueda, CEO of Terra Motors Corporation is one of the directors in TFSPL who has more than a decade of experience in Sales and Marketing and has a wealth of knowledge in the Asian Electric Vehicle industry. Further, TFSPL has installed good tracking and MIS systems, which are adequate to support its future growth. Further, the company has installed monitoring systems to ensure credit bureau checks and loan utilisation checks being conducted in all cases. This enabled SFPL to report good asset quality. It has invested significantly in technology to ensure the real-time availability of collection data, e-verification of customer details and cashless disbursements.

- **Growth in operation in FY23**

During FY23, the business got bit stabilised and demand of loans has increased attributable to rise in economic activities driven by gradual reduction in impact of covid pandemic coupled with the emerging demand of E-vehicle in Indian market. Rise in loan disbursement and rise in own loan portfolio resulted in steady Y-O-Y growth of AUM to Rs.17.93 crore as on March 31,2023 from Rs.5.00 crore as on March 31,2022. TFSPL turns profitable in FY23 marked by the PAT margin of ~12.71%. Further, ROTA and ROCE stood satisfactory at 5.19% and 12.26x respectively in FY23.

- **Stable asset quality**

TFSPL has managed to keep its recovery rate around 99% during the end of FY23. TFSPL though remain exposed to risks associated with the MFI business able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. The GNPA was remained around 2.12%, while NNPA was 0.06% as on March 31, 2023. The company's ability to maintain the asset quality in the new originations and maintain field discipline will be important from a credit perspective.

- **Comfortable liquidity profile**



## Press Release

Liquidity position of TFSFPL, as on March 31, 2023, has been comfortable with positive cumulative mismatches in the short to medium term (up to 3 year) bucket. This is mainly due to no near-term debt repayment obligation as the entity does not have any external borrowings.

### **Key Rating Weaknesses:**

- **Short operational track record**

The company started its operation from October 2021, thus having only one and half years of operational track record. Owing to its short track record, the company suffers from lower seasoning of its loan portfolio. Further, TFSPL's product diversification remains low being concentrated only in the E-vehicle segment. Further, unsecured lending to the marginal borrower profile and the political & operational risks associated with microfinance lending may result in high volatility in the asset quality indicators. TFSPL's ability to maintain the asset quality indicators through economic cycles remains a key rating monitorable.

- **Small scale of operations**

The scale of operations of TFSPL, though remained small, has increased with AUM of Rs.17.93 crore as on March 31, 2023. The company had an overall gearing at 2.36x as on March 31, 2023.

- **Limited geographical presence**

TFSPL is now working with eight states like Uttar Pradesh, Bihar, Uttarakhand, Assam to name a few. Though its business is spread across 8 states, majority of lending, ~99% is concentrated on four states only. Covering of limited number of states provides limited diversified geographical presence.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Financial Institutions & NBFC](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity: Adequate**

The company does not have any external borrowing as on March 31, 2023. However, the company is intending to go for external borrowing in the near term. However, it would be



## Press Release

important for TFSPL to maintain its collection efficiency while ensuring the regular flow of funds to meet its internal growth projections.

### **About the Company**

Terra Financial Services Private Limited (TFSPL) is a subsidiary of Terra Motors India private Limited which is a 100% Subsidiary of Japanese Company, Teera Motor Corporation incorporated in July 2014. In July 2021, Terra Motors India Private Limited acquired TFSPL, formerly known as Rashmi Exports Private Limited which was established back in September 7, 1990. Post acquisition, Terra Financial Services Private Limited had started its operations from October 2021. TFSPL is registered with RBI as Non-Deposit Accepting Non-Banking Financial Company (NBFC-ND). Terra Motors India Private Limited holds 80 percent of the shares of TFSPL and rest 20 percent is owned by Vedika Financial Services Private Limited. TFSPL Offers E-rickshaw Loan to customers extended majorly to 8 states namely Uttar Pradesh, Orissa, Jharkhand, Bihar, Chhattisgarh, Assam, Uttarakhand, and Madhya Pradesh. The E-rickshaws are made by Terra Motors India private Limited which is the holding company of TFSPL. Currently, the operations of the company are managed by Mr. Akihiro Ueda, Mr. Kosuke Nakagawa, and Mr. Gautam Jain, three directors of the company along with a team of experienced personnel.

### **Financials of Terra Financial Services Private Limited (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	3.59	5.43
PAT	(0.65)	0.69
Tangible Net worth	2.64	4.16
Total Asset	5.96	20.60
ROTA (%)	(21.92)	5.19
Interest Coverage	NM^	1.83
Total CAR (%)	43.75	20.23
Gross NPA (%)	-	2.12
Net NPA (%)	-	0.06

\*Classification as per Infomerics' standards. ^ Not Meaningful

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



## Press Release

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan (Proposed)	Long Term	50.00	IVR BB-/ Stable	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: [apodder@infomerics.com](mailto:apodder@infomerics.com)

### 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 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](http://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





## Press Release

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.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Term Laon (Proposed)	-	-	-	50.00	IVR BB-/ Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-terra-sep23.pdf>

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

**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](http://www.infomerics.com)