



Press Release

Terra Financial Services Private Limited (TF SPL) **(Erstwhile Rashmi Exports Private Limited)**

November 18, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facility (Proposed facility)	50.00	IVR B+ / Stable Outlook (IVR B plus with Stable Outlook)	IVR BB-; Stable (IVR Double B Minus with Stable outlook)	Downgraded	Simple
Total	Rs. 50.00 Rupees Fifty Crore only				

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

Detailed Rationale

Infomerics Ratings has downgraded its rating assigned to the Bank facilities of Terra Financial Services Private Limited (TF SPL) due to pressure on profitability given the high cost to income ratio, weak asset quality, high dependency on group companies and increasing competition from banks and other NBFC in the vehicle loan segments. However, the ratings continues to derive comfort from the experienced and professional management team with adequate systems and processes and comfortable capitalisation.

Infomerics Ratings expects outlook to remain stable on account of expected growth in asset under management (AUM) with comfortable capitalisation levels driven by expected periodic capital infusion by the promoters.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in its loan portfolio, while maintaining healthy asset quality, strong capitalization, and profitability.

Downward Factors

- Substantial de-growth in AUM and/or decline in liquidity and capitalization
- Adverse movements in collection efficiency impacting asset quality of the company.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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

TF SPL is a subsidiary of Terra Motors India Pvt. Ltd., which is a 100% subsidiary of Japan's Terra Motor Corporation, a leading EV manufacturer. Mr. Akihiro Ueda, CEO of Terra Motors, also serves as a director at TF SPL and brings over a decade of expertise in Sales and Marketing within the Asian electric vehicle industry. TF SPL has implemented robust tracking and MIS systems to support future growth, alongside monitoring systems for credit bureau checks and loan utilization. TF SPL has also invested in technology for real-time collection data, e-verification of customer details, and cashless disbursements.

- **Comfortable capitalization**

The total CRAR of TF SPL stood comfortable at 32.51% as on 31 March 2024 (20.26 % as on 31 March 2023) which is well above the regulatory requirements of 15%, giving the company sufficient headroom to continue its growth path and expand its portfolio and branches further. Additionally, TF SPL tangible net worth increased to Rs. 9.73 crore in FY24 (period refers to 01st April 2023 to 31st March 2024) compared to FY23: Rs. 4.13 crore on accretion of profits to reserves and surplus and increase in security premium on account of issue of fresh equity.

Key Rating Weaknesses

- **Pressure on profitability due to high cost to income ratio:**

The total operating income of TF SPL increased by 42.61% year-on-year (y-o-y) to Rs 8.66 crore in FY24, (period refers to 01st April 2023 to 31st March 2024) when compared to Rs. 6.07 crore in FY23. This growth was driven by higher loan disbursements in the three-wheeler segment. TF SPL AUM grew from Rs. 18.89 crore in FY23 to Rs. 26.64 crore in FY24. Despite this growth, operating profit decreased to Rs. 0.81 crore in FY24, from Rs.



Press Release

1.86 crore in FY23. This decline was due to a rise in operating expenses, which increased to Rs. 3.47 crore in FY24, from Rs. 2.65 crore in FY23. The increase in credit costs related to the sale of these assets in the open market. Additionally, employment expenses surged to Rs. 2.57 crore in FY24, compared to Rs. 0.68 crore in FY23, as the employment cost, previously shared with its parent company, Terra Motors India Pvt. Ltd and is now fully borne by TFSPL, hence, impacting the operating profits. The Net Interest Margin declined to 20.22% in FY24, from 26.79% in FY23, due to increased competition and a rise in interest expenses from Rs. 0.65 crore in FY23 to Rs. 1.16 crore in FY24. Higher operating costs ultimately resulted in a decrease in ROTA (Return on Total Assets), which stands at 3.46% in FY24 (FY23: 15.05%).

- **Weak asset quality**

TFSPL 's asset quality remains weak, with GNPA and NNPA of 6.48% and 2.65%, respectively, at the end of FY24, compared to 3.04% and 0.67% in previous year FY23. GNPA and NNPA further increased to 6.55% and 2.68%, respectively, in Q1FY25. The higher GNPA and NNPA are primarily due to TFSPL's focus on providing loans to the weaker sections of society for the purchase of three-wheeler vehicles (auto-rickshaws). Borrowers in this segment often face financial instability and irregular income streams, making it difficult for them to make full and timely repayments. This has resulted in higher defaults, leading to increased credit costs. Additionally, the company has provided a loan to a related party, which has defaulted on their repayment, further contributing to the higher GNPA and NNPA levels in FY24 and Q1FY25.

- **High dependency on group companies**

TFSPL 's operations are heavily dependent on its group company, which accounts for 100% of its business, creating significant reliance on the group company.

- **Increasing competition from banks and other NBFC in the vehicle loan segments**

TFSPL 's is exposed to stiff competition from other varied other NBFCs and bank. The vehicle loan segment is experiencing increasing competition from banks and non-banking financial companies (NBFCs)

Analytical Approach: Standalone



Press Release

Applicable Criteria:

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

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instrument/Facilities](#)

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

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

Liquidity – Adequate

Considering the scale of operations as on March 31,2024 company is well capitalized with CRAR (%) of 32.51%. TFSFPL tangible net worth increased to Rs. 9.73 crore in FY24 (compared to FY23: Rs. 4.13 crore) on accretion of profits to reserves and surplus and increase security premium on account of issue of fresh equity.

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 9 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.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	6.07	8.66
PAT	1.37	0.58



Press Release

For the year ended* / As on	31-03-2023	31-03-2024
Tangible Net worth	4.13	9.73
Total loan Asset	18.89	26.64
Ratios		
NIM (%)	26.79	20.22
ROTA (%)	15.05	3.46
Interest Coverage (times)	3.87	1.70
Total CAR (%)	20.26%	32.51%
Gross NPA [Stage III] (%)	3.04%	6.48%
Net NPA [Stage III] (%)	0.67%	2.65%

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/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.	Long-Term Bank Facility (Proposed facility)	Long Term	50.00	IVR B+ / Stable Outlook	(September 27, 2023) IVR BB- / Stable	-	-

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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



Press Release

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.

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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)	Rating Assigned/ Outlook
Long-Term Bank Facility (Proposed facility)	-	-	-	-	50.00	IVR B+ / Stable Outlook

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-TFSPL-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



Press Release

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.

