



## Press Release

**UV Asset Reconstruction Company Limited (UVARCL)**

**May 09, 2024**

### Ratings

Instrument Facility /	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based - Long Term Bank Facilities – Working capital term loans	100.00	IVR BBB/ Stable (IVR Triple B with stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with stable outlook)	Upgraded	Simple
Proposed Fund Based - Long Term Bank Facilities – Working Capital facilities	25.00	IVR BBB/ Stable (IVR Triple B with stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with stable outlook)	Upgraded	Simple
<b>Total</b>	<b>125.00</b> <b>(Rupees Hundred Twenty-Five Crore Only)</b>				

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating upgradation to the bank loan facilities of UV Asset Reconstruction Company Limited (UVARCL) is on account of improved earnings profile, strong capitalisation, healthy recoveries and experienced promoters and management. However, ratings are constrained by moderate AUM levels, poor track record of resolution of stressed assets in India, intense competition in the asset reconstruction sector and risks associated with any adverse changes in the distressed assets policy framework.

Infomerics has also taken into account the ongoing proceedings with IT department and writ petition filed by UVARCL before Honourable Delhi High Court against the show cause notice issued by RBI. Infomerics has taken current status on both the issues.

The Honourable Delhi High Court had stayed RBI's show cause notice which was issued to UVARCL in November'2020 in response to its bankruptcy resolution proposal for telecom firm



## Press Release

Aircel, wherein the ARC had proposed to invest in equity of Aircel. UVARCL has provided an update on the writ petition that the counsel appeared on behalf of UVARCL and submitted that the directions passed in Order dated 18.03.2021 have not been complied with till date, in as much as the common affidavit directed to be filed by consensus between the Ministry of Finance, Ministry of Corporate Affairs and Reserve Bank of India has not been filed. Counsel further submitted that an additional affidavit dated 5.04.2024 has been filed by UVARCL. The Court has granted 4 weeks to MCA & Ministry of Finance to file the affidavit as stipulated in order dated 18.03.2021 and to RBI to reply to the additional affidavit dated 05.04.2024. The matter has been re-notified to 08.08.2024. In the meantime, the interim orders would continue to operate.

Infomerics has also taken into consideration the Income Tax Department's search and seizure operations on UVARCL conducted in October 2022 and the proceedings are ongoing. The company has provided an update that the Income Tax Department has requested information, which has been promptly provided. However, no orders have been received yet.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in AUM, along with significant recoveries and redemptions resulting in improved revenues and profitability.

#### **Downward Factors**

- Lower than expected acquisition of new assets, delay in resolutions of assets impacting the earnings profile or more than expected rise in gearing and/or deterioration in capital adequacy.
- Adverse outcome from ongoing writ petition against RBI show cause notice and IT proceedings



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Healthy recovery levels

UVARCL's total recoveries have substantially improved in FY24 (Provisional) with realisation of financial assets amounting to Rs 560.19 crore when compared to Rs 89.42 crore in FY23. This was on account of recoveries from major accounts which were delayed in earlier years.

##### Improved earnings profile

The total operating income (TOI) of UVARCL has witnessed significant improvement in FY24 (Provisional) driven by an increase in recoveries. As per the provisional financials for FY24, UVARCL has reported TOI of Rs. 152.98 crore when compared to Rs. 56.24 crore in FY23. On the back of which, the PAT margins of UVARCL has significantly improved to 40.08% in FY24 (Provisional) from 4.07% in FY23.

##### Strong capitalization

The capitalisation of the company is strong with total CRAR of 136.55% and tangible net worth of INR 214.45 crore as on 31<sup>st</sup> March 2024 against regulatory requirement of 15%. UVARCL does not have any debt on its balance sheet as on 31<sup>st</sup> March 2024

##### Experienced promoters, management and strong shareholders

UVARCL has a team of qualified and experienced professionals to run various business operations. The Board of the company comprises of experienced professionals with banking and legal background. As on 31<sup>st</sup> March, 2024, public sector banks & insurance companies hold 7.50% stake in the company. These include Central Bank of India, Bank of Maharashtra, Union Bank of India, Bank of India, United Bank of India, Allahabad Bank, United India Insurance Company Limited and National Insurance Company Limited. However, Infomerics does not taken any support on account of strong shareholders due to fractured shareholding.



## Press Release

### **Key Rating Weaknesses**

#### **Moderation in AUM levels**

UVARCLs overall AUM decreased to Rs 613.04 crore at the end of FY23 as compared to Rs 1,300.15 Crores in FY23 due to higher recoveries coupled with resolution of a large accounts has led to moderation of AUM levels.

#### **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**

There are ~28 registered ARCs in India, which manage more than Rs. 1 lakh Crore of AUM. The competition in the stressed asset market is on the rise with an increase in the number of players. Also, due to the change in the model of 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.

#### **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, 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](#)



## Press Release

[Criteria of assigning Rating Outlook](#)

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

[Policy on Default Recognition](#)

### **Liquidity: Strong**

UVARCLs liquidity remains strong with CRAR of 136.55%, and TNW of Rs 214.45 crore as on 31<sup>st</sup> March 2024. The cash and cash equivalents stood at Rs 78.47 crore, liquid investments of Rs 14.91 crores and unutilised working capital limits of Rs 100 crore as on 31<sup>st</sup> March 2024.

### **About the company**

UV Asset Reconstruction Company Limited (UVARCL) was incorporated as Public Limited Company on August 23, 2007 UVARCL has been registered with the Reserve Bank of India as an Asset Reconstruction Company pursuant to Section 3 of the SARFAESI vide Certificate No. 014/2011 dated June 17, 2011. It is engaged in acquisition and resolution of Non-Performing Assets (NPAs) acquired from Banks/Financial Institutions. The Company has a diversified portfolio across sectors and geographies in India. The Company's focus over past few years has shifted from recovery to resolution of Stressed Accounts.

### **Financials (Standalone)\*:**

**Rs in Crores**

For the year ended/As on*	31-03-2022	31-03-2023	31-03-2024
	(Audited)	(Audited)	(Provisional)#
Total Income	52.62	56.24	152.98
PAT	3.56	2.29	61.32
Assets Under Management	1007.87	1329.74	613.04
Recoveries	118.93	89.42	560.19
Tangible Networkth	142.77	145.11	214.45



## Press Release

Total debt	163.86	105.87	0.00
Overall Gearing (Times)	1.15	0.73	-
Total CRAR (%)	44.90	54.37	136.55

**\*Classification as per Infomerics' standards**

**#UVARCL has provided an undertaking that the variance between the audited and provisional financials for FY24 will not be more than +/-10%.**

**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 – (12 June 2023)	Date & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based - Bank Loan Facilities – WCTL	Long Term	100.00	IVR BBB/Stable	IVR BBB-/Stable	-	-
2.	Proposed Fund Based -Bank Loan Facilities – Working Capital Facilities	Long Term	25.00	IVR BBB/Stable	IVR BBB-/Stable	-	-

### **Name and Contact Details of the Rating Director:**

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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 the 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).

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### Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based - Long Term Bank Facility –WCTL	-	-	-	Revolving	100.00	IVR BBB/Stable
Proposed Fund Based - Long Term – Working capital facilities	-	-	-	Revolving	25.00	IVR BBB/Stable



## Press Release

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-UV-Asset-may24.pdf>

**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).

