



## Press Release

**Asrec India Limited (AIL)**

**March 02, 2023**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Fund Based –Long Term Bank facilities – Term loans	23.53	IVR A/ Stable (IVR A with Stable Outlook)	Assigned	Simple
Proposed Fund Based – Long Term Bank facilities – Working capital Facilities	66.47	IVR A/ Stable (IVR A with Stable Outlook)	Assigned	Simple
Fund Based – Short Term Bank Facilities – Secured Overdraft	10.00	IVR A1 (IVR A One)	Assigned	Simple
<b>Total</b>	<b>100.00 (Rupees One Hundred Crores only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The assignment of ratings to the bank loan facilities of Asrec India Limited (AIL) has taken into consideration, strong parentage with experienced management team, consistent growth in AUM and recoveries, improved financial profile and strong capitalisation and low gearing levels. However, the ratings are constrained by 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.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial growth in AUM, along with significant recoveries and redemptions resulting in an increase in the scale of operations and profitability.



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### **Downward Factors**

- Lower than expected acquisition of new assets, delay in resolutions of assets purchased in the past or more than expected rise in gearing and/or deterioration in capital adequacy impacting the revenues and profitability of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong parentage with experienced management team**

AIL has strong parentage as it is sponsored by prominent public sector banks including Indian Bank (38.27% stake), Bank of India and Andhra Bank (26.02% stake each), Life insurance Corporation of India (9.18% stake) and Deutsche Bank (0.51% stake) as on March 31, 2022. The Board of the Company comprises of experienced professionals with banking and legal background. AIL is headed by Mr. Girish Sharan Sinha (MD and CEO) who has vast experience of over a decade in Asset Reconstruction Companies (ARCs). The Company has veteran bankers & industry experts on their board, having vast experience in their respective fields and holding various leadership positions & directorships to their credit. The board of directors is headed by Mr. V.K. Shunglu, Chairman and Independent director who was the Ex-comptroller and auditor general of India. AIL has two independent directors and two nominee directors comprising of industry leaders and veterans to take decisions on stressed assets acquisition and resolution proposals.

##### **Consistent growth in AUM and recoveries**

The Company's overall AUM has been constantly increasing year after year from INR 409.54 Crore as at FY19 to INR 1487.05 Crore as at FY22. Total recoveries have improved in FY22 with realisation of financial assets amounting to INR 274.20 Crore when compared to INR 114.19 Crore in FY21. AUM and recoveries stood at INR 1,254.52 Crores and INR 239.06 Crores respectively as on 31 December 2022.

##### **Improved financial profile**



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The total revenue of the company has witnessed significant improvement in FY22 driven by an increase in management fees, recovery incentive, profit on sale of financial assets/ SRs. The revenue increased to INR 59.91 Crore in FY22 from INR 46.89 Crore in FY21, indicating a growth of 28%. The PAT margin of the company remained healthy at 34.01% in FY22 (25.56% in FY21). Cost to income ratio of the company has improved to 48.32% in FY22 from 62.46% in FY21.

### **Strong capitalization and comfortable gearing**

The capitalisation of the company is strong with total CRAR of 74.31% and Tangible Net worth of INR 186.95 Crore as on 31 March 2022 against regulatory requirement of 15%. The overall gearing has remained low at 0.17x as on 31 March 2022.

### **Key Rating Weaknesses**

#### **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



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framework, ARCs might keep on confronting difficulties given the inherent nature of the business and the asset reconstruction industry.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Financial Institutions/NBFCs | Infomerics Ratings](#)

[Criteria of assigning rating outlook](#)

### **Liquidity: Adequate**

The company liquidity remains adequate with adequate capitalisation of 74.31%, low gearing of 0.17x with TNW of Rs 186.95 Crores. The cash and cash equivalents stood at INR 8.49 Crore including fixed deposits of Rs 4.43 Crores as on December 31, 2022.

### **About the Company**

ASREC (India) Limited (AIL), an ISO 9001:2008 certified, public limited company, incorporated under the Companies Act 1956 has been granted certificate of registration by RBI on October 11, 2004 to carry out activities under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002. Their principal business is to acquire non-performing financial assets from banks / financial institutions, manage them through restructuring, and resolve them in a time-bound manner through active interventions. AIL has strong parentage as it is sponsored by prominent public sector banks including Indian Bank (38.27% stake), Bank of India and Andhra Bank (26.02% stake each), Life insurance Corporation of India (9.18% stake) and Deutsche Bank (0.51% stake) as on March 31, 2022.

**Financials (Standalone)\*:**

**Rs in Crores**

For the year ended As on	31-03-2021	31-03-2022
	Audited	Audited



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Total Income	46.89	59.91
PAT	11.98	20.38
Tangible Net Worth	165.70	186.95
Total Debt	74.06	32.14
AUM	1476.70	1487.05
ROTA (%)	5.46	8.88
Total CAR (%)	57.28	74.31
Overall Gearing (Times)	0.45	0.17
Interest Coverage	5.39	5.44

**\*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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based – Long Term Bank facilities – Term loans	Long Term	23.53	IVR A/ Stable	-	-	-
2.	Proposed Fund Based –Long Term Bank facilities – Working capital Facilities	Long Term	66.47	IVR A/ Stable	-	-	-
3.	Fund Based – Short Term Bank Facilities – Secured Overdraft	Short Term	10.00	IVR A1/ Stable	-	-	-

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

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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 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/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Fund Based –Long Term Bank facilities – Term loans	-	-	-	23.53	IVR A/Stable
Proposed Fund Based –Long Term Bank facilities – Working capital Facilities	-	-	-	66.47	IVR A/Stable
Fund Based – Short Term Bank Facilities – Secured Overdraft	-	-	-	10.00	IVR A1/Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Lenders-Asrec.pdf>

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

**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).