



Press Release

Finkurve Financial Services Limited

December 12, 2023

The revised press release is provided in relation to the Press Release published dated April 25, 2023. The revised press release mentions the following:

- Detailed explanation of covenants of the rated instrument/ facilities as per the regulator guidelines.

Link to the press release dated April 25, 2023, published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-Finkurve-Financial-25apr2023.pdf>

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long term– NCD	7.50	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Short term Bank Facilities – Overdraft	17.00 (Reduced from Rs. 17.50 Crore)	IVR A3+ (IVR A Three Plus)	Revised	Simple
Long Term/ Short Term Bank Facilities – Proposed facility	75.50 (Increased from Rs. 25 Crore)	IVR BBB/ Stable; IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	Revised	Simple
Total	100.00 (Rupees One hundred Crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating revision takes into account the improvement in the recent financial performance for the 9MFY23 coupled with increased loan asset book, improvement in the asset quality and comfortable CAR ratio. The rating continues to derive strength from improved diversification in loan book, comfortable gearing and debt metrics and improved asset quality. However, rating strengths are constrained by exposure to corporate loans and challenging operating environment for non-banking financial institutions (NBFIs).

Key Rating Sensitivities:



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Upward Factors

- Substantial scaling up its operations and diversifying its loan portfolio
- 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

Improved diversification in loan book

Financial Services Limited (FFSL) offers Gold Loans, Pay Day loans, Education Loans and MSME Loans. The company's gross loan assets stood at Rs. 180.93 crore as on March 31, 2022 to Rs. 242.72 Cr. as at December 31, 2022. The company has shifted its distribution to having increased portion of Secured loans in FY22. As envisaged, the share of retail loans has increased from 5% of Asset Under Management (AUM) in FY21 to 40% of the AUM in FY22. Though corporate loans still comprise a major part of the loan portfolio its share has consistently declined from 95% in FY21 to ~60% in FY22 and 9MFY23. Going forward, FFSL plans to reduce its corporate exposure and expand its presence across retail segment largely on gold loans and plans to bring down the share of corporate loans to below 50%. Resultantly with improved loan book, revenue for 9MFY23 stood at Rs. 33.28 Cr. and PAT at Rs. 12.07 Cr.

Comfortable gearing and debt metrics

FFSL had a comfortable capital structure marked by overall gearing of 0.1x as on March 31, 2022. Improvement is on the back of reduction in borrowings as the company reduced its borrowings whilst utilizing the sales proceeds from the sale of its subsidiary. The company raised Rs. 7.50 Cr. through ECB INR loan and subsequently converted it into ECB INR NCD. The debt protection metrics also remained comfortable marked by interest cover of 2.8x for FY22.

Improved asset quality



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With the company is growing its portfolio, the Gross NPA as on 9MFY23, stood at Rs. 5.09 Cr. (2.1%) while the Net NPA was Rs. 2.73 (1.1%) as against Gross NPA of Rs. 21.95 Cr. (12.13%) and Net NPA of Rs. 15.11 Cr. (8.68%) as on March 31, 2022. The asset quality has improved as the company received a one-time settlement entirely from M/s FS Housing Pvt Ltd which aided in reducing NPA levels significantly.

Key Rating Weaknesses

Exposure to corporate loans

Corporate loans comprise a major part of the loan portfolio, however with the introduction of education loans, payday loans and gold loans, its share has declined. Going forward, FFSL plans to reduce its corporate loan portfolio exposure and expand its presence into retail segment. As envisaged, the share of retail loans has increased from 5% of AUM in FY21 to 40% of the AUM in FY22.

Challenging operating environment for Non-Banking Financial Institutions (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

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



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The liquidity profile of the company remains adequate with positive cumulative mismatches across buckets as per ALM statement as on March 31, 2022, due to favourable asset maturity profile. FFSL's liquidity is supported by cash & cash equivalent of Rs. 2.63 crore as on March 31, 2022. The company did not have any long-term debt obligation from Banks or NBFCs as on March 31, 2022.

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. FFSL offers Gold Loans, Pay Day loans, Education Loans and MSME Loans. For retail loans segment, the company works in collaboration with Fintech companies.

Financials (Standalone):

(In Rs. Crores)

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	20.5	22.7
Interest Expenses	6.8	3.3
PAT	4.5	21.6
Total Debt	75.8	23.7
Tangible Net Worth	135.9	158.0
Total Loan Assets (Net)	197.0	173.2
PAT margin (%)	22.0	95.2
Overall Gearing Ratio (x)	0.56	0.15

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

	Current Ratings	Rating History for the past 3 years
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Sr. No.	Name of Instrument / Facilities	(Year 2023-24)					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Sept.16, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Jul. 31, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	NCD	Long-term	7.50	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB- / Stable	-
2.	Overdraft	Short term	17.00	IVR A3+	IVR A3	IVR A3	-
3.	Proposed facility	Long term/ Short term	75.50	IVR BBB/ Stable; IVR A3+	IVR BBB-/ Stable; IVR A3	IVR BBB- /Stable; IVR A3	-

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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 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
Overdraft	-	-	-	17.00	IVR A3+
Proposed facility	-	-	-	75.50	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
Redemption date	August 12, 2031

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-apr2023.pdf>

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

Affirmative covenants:

- use the finance availed solely for the purposes set out in Article II (2.4) above.
- 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.
- To keep such records as the Investor may require to facilitate verification of the utilization of the said finances.



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- 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