



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Altico Capital India Ltd.

June 21, 2019

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Non-Convertible Debentures (Proposed)	1,250.00	IVR AA / Stable Outlook (IVR Double A with Stable Outlook)	Assigned
Total	1,250.00		

Details of Facility are in Annexure 1

Detailed Rationale

The rating derives comfort from the experience of the Board of Directors and management team, strong capital adequacy and leverage position with well-matched ALM, reasonable size of portfolio, profitable operations, strong asset quality and strong risk management systems. The rating also takes into consideration the high level of customer concentration coupled with large ticket sizes and exposure to risky segment (real estate funding). The key rating sensitivities are any sharp deterioration in asset quality, sharp variation in profitability and significant change in scale of operation.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors and strong promoter group

Altico Capital India Ltd (ACIL) has a varied Board of Directors which includes professionals with experience in varied fields and from a variety of backgrounds. Of the nine members on its Board, three are independent directors who are accomplished professionals with careers in fields of Banking, Investment Banking and Financial Services. The Board is chaired by Ms. Naina Lal Kidwai (ex-chairperson of HSBC India). The company is backed by strong financial sponsors in the form of Fiera Capital, Abu Dhabi Investment Council and Varde Partners. All the sponsor entities have a robust background of investing across a wide array of geographies, sectors and asset types and cumulatively manage assets of over USD 250 billion. The Board has representation from all the three shareholders.



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Experienced management team

Mr. Sanjay Grewal is the Chief Executive Officer. He has more than 25 years of experience in telecom, transport, power, logistics, social infrastructure and real estate sectors. He was associated with institutions such as Citi, Lehman Brothers, IFC and IDFC.

Mr. Sanjeev Agrawal is the Chief Operating Officer of ACIL. He has over 30 years of overall experience cutting across banking, finance, operations, strategic transformations and operations. He has deep local and international financial services experience. In his past assignments, he was associated with Standard Chartered Bank both in India and Asia.

Mr. Amit Pachisia is the Chief Credit Officer of ACIL. He has over 16 years of work experience in the credit space.

Mr. Dhruv Jain is the Chief Financial Officer of ACIL. He has over 23 years of experience across organisation such as Milestone Capital Advisors Ltd, IIFL Holdings Ltd, Citi Financial, Bharti Airtel and Kotak Securities. The other key managerial personnel also have more than 10 years of experience in legal and financial services.

Strong capital adequacy and leverage position with well-matched ALM

The Capital Adequacy Ratio (CAR) of ACIL was high at 43% as on March 31, 2019 (39% as on March 31, 2018). The CAR improved in FY19 as Altico's shareholders had further infused Rs.357 crore incremental equity in FY19. The Gross Debt to Equity Ratio marginally increased to 1.8x as on March 31, 2019, as compared to 1.7x as on March 31, 2018. As the company plans to grow its portfolio in the future and would be increasing its reliance on external borrowings, its overall gearing is expected to increase, but is expected to remain within a comfortable range. The liquidity position of the company is comfortable as tenor of its assets and liabilities are well matched.

Reasonable size of portfolio

ACIL began operations of its lending business from 2014. The primary business involves advancing loans to real estate, logistics and related sectors. The company plans to continue focussing on real estate backed lending. . The portfolio outstanding as on March 31, 2019 was Rs.6,873 crore (Rs. 6,266 crore as on March 31, 2018).



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Profitable operation

Altico has been consistently profitable for each of the previous 5 years. There are two overarching macro factors reflected in Altico's financial performance in FY 19 i.e. - (i) Adoption of new accounting standards (IndAS) and (ii) Significant headwinds in macroeconomic environment impacting NBFCs.

ACIL posted a Net Profit of Rs.146.7 crore in FY19, down from Rs.264.6 crore in FY18. The profitability margin was moderate for FY19 with Return on Total Assets (ROTA) for FY19 at 1.9% as compared to 4.9% in FY18.

Strong Asset Quality

The Gross NPA and Net NPA for ACIL stood at 1.8% and 1.1%, respectively as on March 31, 2019 (Nil as on March 31, 2018). Any slippages in even a few accounts may push the NPAs up given the high ticket sizes.

Strong risk management systems

The company has a staff strength of over 55 employees and is well positioned to sustain the growth in its portfolio. The company has a strong risk management system supported by an efficient team managing the MIS reporting to monitor its portfolio. It has a well-defined credit and operations policy in place. The credit underwriting policy ensures rigorous evaluation of the risks associated with any proposal and identification of the risk mitigants. The company monitors the performance of the portfolio very closely with regular interaction with the clients and site visits to gauge the progress of the projects being funded.

Key Rating Weaknesses

High customer concentration, coupled with large ticket sizes

The portfolio of the company is highly concentrated with the top 10 customers accounting for around 41.5% of the portfolio and 94.0% of the net worth of the company as on March 31, 2019. ACIL extends loans only on taking adequate collateral and structuring deals where the cash flows are ring-fenced to ensure that the performance of the borrower is closely monitored to ensure timely servicing of the loans.

Exposure to risky lending segment



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ACIL is directly exposed to the real estate sector. Though the real estate sector is relatively risky, the exposures are secured against cash flows and property of the real estate project of the concerned developer. The receivables from the sale of units in the projects funded by ACIL are also escrowed to ensure that the loans are serviced on a timely basis.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity

Liquidity is marked by strong accruals against negligible repayment obligations and cash, cash equivalents and liquid investments to the tune of Rs.1277 crore. With a gearing of 1.8 times as of March 31, 2019, the issuer has sufficient gearing headroom, to raise additional debt for its capex. The company has a favourable ALM profile. There are no negative mismatches in any of the time buckets. The company has significant undrawn lines. As on March 31, 2019 only around 29% of the total working capital limits were utilised, which are more than adequate to meet its incremental working capital needs over the next one year.

About the Company

Incorporated as the erstwhile Clearwater Capital Partners India Private Limited in January 2004, Altico Capital India Ltd (ACIL) is a Non Deposit Taking – Systemically Important NBFC registered with the Reserve Bank of India. ACIL's primary business involves financing loans in real estate sector and allied sectors. It focuses on senior secured lending to mid-income residential projects and the commercial real estate sector, across Tier-1 cities in India, which include Mumbai, NCR, Chennai, Bengaluru, Pune and Hyderabad.

Financials (Standalone)

	(Rs. Crore)	
For the year ended / Rs. Crs	31-03-2018	31-03-2019
	Audited	Audited
Total Income	875.1	1,234.7

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Interest Expense	313.1	547.2
PAT	264.6	146.7
Tangible Net Worth	2,514.5	3,029.7
Total Loan Assets	6,206.8	6,905.7
Ratios		
a. PAT Margin	30.2	11.9
b. Overall Gearing ratio	1.7	1.8

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Non-Convertible Debentures (Proposed)	Long Term	1,250.00	IVR AA / Stable Outlook	--	--	--

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sriram Rajagopalan

Tel: (022) 62396023

Email: srajagopalan@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (Proposed)	-	-	-	1,250.00	IVR AA / Stable Outlook