

June 11, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B+/ Stable (Assigned)
WCTL	4.90	SMERA B+/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.14.90 crore bank facilities of RBA Finance Private Limited (RBAFPL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations, limited geographical diversification and high dependence on select sources for borrowings. However, the rating is supported by the long-standing experience and strong domain knowledge of the promoters. The rating is also supported by the company's high capital adequacy and low non-performing asset (NPA) levels.

RBAFPL, incorporated in 1996, is a Delhi-based non-deposit taking non-banking financial company (NBFC-ND) engaged in the business of hypothecation of vehicles. The company has a loan portfolio of Rs.24.82 crore (provisional) as on March 31, 2015. With maximum advances concentrated in Uttar Pradesh, the company's loan portfolio has limited geographical diversification. Also, RBAFPL has operations only in a few cities in Rajasthan and Madhya Pradesh.

RBAFPL's total borrowings of ~Rs.16.55 crore (provisional) as on March 31, 2015 constitute short term borrowings. The company's ability to raise additional funds at a low cost from diversified sources will be critical for the growth of the company.

RBAFPL benefits from its experienced management. The promoters of the company Mr. Radha Agarwal & Mr. Shyam Agarwal have over two decades of experience in the finance industry. Besides, RBAFPL has moderate capital adequacy level of 27 per cent and low gearing of 0.82 times as on March 31, 2015. The company has maintained strong asset quality with low NPA levels of 0.50 per cent over the years.

Outlook: Stable

SMERA believes the outlook on RBAFPL's rated facilities will remain stable over the medium term. The company will continue to benefit from its experienced management and strong asset quality. The outlook may be revised to 'Positive' in case the company achieves sustained growth in asset book while maintaining strong asset quality and healthy returns. The outlook may be revised to 'Negative' in case expansion of operations results in deterioration of asset quality, profitability or capital levels of the company.

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Rating sensitivity factors

- Size of operations
- Asset quality
- Capital adequacy levels

About the Company

RBAFPL, incorporated in 1996, is a Delhi-based non-deposit taking non-banking financial company (NBFC-ND) engaged in the business of hypothecation of vehicles. The company is promoted and managed by Mr. Shyam S. Agarwal and has presence in Uttar Pradesh, Rajasthan and Madhya Pradesh.

RBAFPL reported profit after tax (PAT) of Rs.0.63 crore on interest income of Rs.7.59 crore and loan portfolio of Rs.24.82 crore (provisional) for FY2014-15 as compared with PAT of Rs.0.49 crore on interest income of Rs.6.22 crore and loan portfolio of Rs.24.80 crore in the previous year. The company's capital adequacy stood at 27 per cent (provisional) and net worth stood at Rs.7.07 crore (provisional) as on March 31, 2015.

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