

AKME Star Housing Finance Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	3.00	SMERA BB+/Stable (Assigned)
Proposed Fund Based Facility	2.00	SMERA BB+/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the Rs.5.00 crore bank facilities of AKME Star Housing Finance Limited (ASHFL). The outlook is '**Stable.**' For the rating process, SMERA has consolidated the business and financial risk profiles of Akme Fintrade (India) Limited (AFIL), Akme Fincon Limited (AFL) and Akme Star Housing Finance Limited (ASHFL), group companies, together referred to as the Akme Group on account of the common management and operational linkages.

The rating draws comfort from the over two decades of experience of the management in the financial services sector, moderate capitalisation levels and improvement in the asset quality. However, the rating is constrained by the modest scale of operations and high degree of geographical and product concentration risks. The rating also factors in the intense market competition in the NBFC sector.

The AKME group benefits from its experienced management which has over two decades of experience in the financial services sector.

The rating notes the group's moderate return on average assets at 3.38 per cent in FY2016 against 3.32 per cent in FY2015. The net interest margin was 8.51 per cent in FY2016 against 9.87 per cent in FY2015. The Return on Capital Employed stood at 12.50 per cent in FY2016. The rating is also supported by the capitalisation levels. The Capital Adequacy Ratio stood at 37.38 per cent as on 31 March, 2016 against 44.35 per cent as on 31 March, 2015. SMERA also takes note of the decline in the Gross NPA (GNPA) ratio from 2.32 per cent as on 31 March, 2015 to 1.99 per cent as on 31 March, 2016.

However, the scale of operations is modest. The outstanding loan book of the company stood at Rs. 133.52 crore on 31 March, 2016 against Rs.95.18 crore on 31 March, 2015. The rating is also constrained by the high degree of geographical concentration with over 90 per cent exposure in Rajasthan and more than 80 per cent of the total exposure in the vehicle finance segment in rural Rajasthan. Notwithstanding a Rs.38.34 crore increase in outstanding loans, the loan book size continued to remain modest at Rs.133.52 crore as on 31 March, 2016 against Rs.95.18 crore in the previous year. The rating is also constrained by the intense competition in the rural financing segment in Rajasthan.

Outlook- Stable

SMERA believes that ASHFL will maintain a 'Stable' outlook in the medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case of a higher than expected growth in loan books and geographical diversification. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the asset quality along with decline in profitability indicators.

Rating Sensitivity Factors

- Improvement in the scale of operations
- Deterioration in asset quality
- Deterioration in the profitability indicators

Criteria applied to arrive at the rating:

- Non-Banking Finance Companies

About the Company

ASHFL was incorporated in 2005 as Akme Buildhome Private Limited. A housing finance company, ASHFL has a license from National Housing Bank and offers a range of loans for construction of houses, property purchase and other related purposes.

About the Group

ASHFL is part of the Akme Group that has experience of over 20 years in the real estate and financial services sector. The group reported a consolidated PAT of Rs.3.87 crore in FY2016 against Rs.2.85 crore in the previous year and Net Interest Income of Rs.11.36 crore in FY2016 against Rs.9.39 crore in FY2015. The consolidated loan portfolio stood at Rs.133.52 crore as on 31 March 2016 against Rs.95.18 crore for the corresponding period last year.

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ABOUT SMERA

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