

Press Release

AKME STAR HOUSING FINANCE LIMITED

13 March, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 50.00 Cr. (Enhanced from Rs.5.00 Cr.)
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating on the Rs. 50.00 crore bank facilities of AKME STAR HOUSING FINANCE LIMITED (ASHFL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**). The outlook is '**Stable**'.

The upgrade is in view of the significant growth in loan portfolio, comfortable capital adequacy with low leverage, extensive experience of the promoters in the financial sector and continued support from its group companies in terms of new business and visibility. SMERA believes that going ahead the company may sustain growth in revenues and profitability margins over the medium-term.

Akme Star Housing Finance Limited (the erstwhile Akme Build Home Private Limited) an Udaipur-based housing finance company was incorporated in 2005. The company, registered with National Housing Bank (NHB), offers affordable housing loans, mortgage loans and loans against property. ASHFL, part of the AKME group is promoted by Mr. Mohan Lal Nagda, Mr. Nirmal Jain among others. The company commenced commercial operations from September, 2009.

Key Rating Drivers

Strengths

• Growing scale of operations

ASHFL's loan portfolio grew by 86 percent from Rs.20.28 crore as on 31 March, 2017 to Rs 37.70 crore in the first three quarters of FY2018 mainly supported by loans for builders. Affordable housing segment is poised to witness steady growth given the government's thrust on providing housing to a large section of population, the favourable government policies, and increased transparency arising from the introduction of RERA. ASHFL aims to tap this opportunity by offering housing loans, mortgage loans and by leveraging support from its group concern.

SMERA believes that affordable housing loans will remain an attractive sector over the medium term owing to the focus of the government on affordable homes.

• Experienced management and association with Akme Group

ASHFL, incorporated in 2005, has established track record of operations with a well-established network around Udaipur, Rajasthan. Mr. Mohan Lal Nagda, the CEO, has more than three decades of experience in the industry. He is supported by an experienced second line of management. Further, the company draws support from its group company Akme Build Estate Limited in Udaipur for new business opportunities. ASHFL is also supported by other group companies - Akme Fintrade Limited and Akme Fincon Limited for generating business and collection of dues.

Weaknesses

• Asset quality pressures and low seasoning of portfolio

The asset quality of the company continues to remain moderate. The Gross NPA moderated to 1.75 percent as on 31 December, 2017 as against 1.58 percent as in 31 March, 2017. The collection efficiency for the past six months averaged 96.83 percent leading to significant slippage. Moreover, the entire loan book of ASHFL is concentrated in Rajasthan. The company caters to the self-employed individuals in the lower and middle segment and builders. Loans to builders constituted 57.35 percent of the total outstanding portfolio. Loans above ticket size of 10 lakh constituted 78 percent of the portfolio as on 31 December, 2017. A significant buildup of loan portfolio is on account of robust disbursement over the past nine months and hence a major part of the portfolio is unseasoned.

• Exposure to level of economic activity in Rajasthan

The loan portfolio of ASHFL is concentrated in the rural areas of Udaipur, Rajasthan as on December, 2017. Since the loans are largely extended to those with irregular source of income any slowdown or disruption in the economic activity will have a negative impact on the ability of ASHFL to service debt. This in turn can affect the ability of ASHFL to maintain a healthy asset quality. Further, owing to exposure to the real estate industry which is cyclical in nature, the company is exposed to additional risk.

SMERA believes that ASHFL's capability to grow its loan portfolio at a sustainable pace and maintaining its asset quality will be a key rating sensitivity going forward.

Outlook: Stable

SMERA believes that the Akme group will maintain a stable outlook on account of its established track record and experienced management. The outlook may be revised to 'Positive' in case of healthy growth in AUM along with sustainable improvement in asset quality and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of challenges in increasing the AUM, deterioration in the asset quality or decline in profitability indicators.

About the Group

ASHL is part of the Udaipur-based Akme Group that has more than two decades of experience in real estate development, automobile dealership and financial services. The group is promoted by Mr. Nirmal Jain, Mr. Mohan Lal Nagda and family.

Analytical Approach

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profile of Akme Star Housing Finance Limited, Akme Fintrade (India) Limited (AFIL) and Akme Fincon Limited (AFL). The aforementioned entities are collectively referred to as 'Akme Group'. The consolidation is in view of the similarities in the lines of business, common management and operational synergies.

About the Rated Entity - Key Financials

	Unit	FY17	FY16	FY15
Total Assets	Rs. Cr.	237.97	148.86	114.38
Total Income	Rs. Cr.	16.77	11.57	9.53
PAT	Rs. Cr.	5.53	3.87	2.85
Net Worth	Rs. Cr.	67.09	52.30	45.66
Return on Assets (RoA)	(%)	2.86	2.94	2.78
Return on Net Worth(RoNW)	(%)	9.05	7.69	7.02
Total Debt/Tangible Net Worth (Gearing)	Times	2.41	1.71	1.25
Gross NPA	Rs. Cr.	3.78	2.55	2.13
Net NPA	Rs. Cr.	2.96	2.00	1.60
Net Worth/ Net NPA	Times	22.70	26.20	28.57

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Non-Banking Financing Entities - <https://www.smera.in/criteria-nbfc.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies-<https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Dec, 2017	Cash Credit	Long	INR 3	SMERA BB+ (Indicative)
	Proposed Working Capital Demand Loan	Term		
	Proposed Working Capital Demand Loan	Long Term	INR 2	SMERA BB+ (Indicative)
14-Sep, 2016	Cash Credit	Long Term	INR 3	SMERA BB+ / Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	INR 2	SMERA BB+ / Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.29	SMERA BBB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.75	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	32.96	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable

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ABOUT SMERA

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