

Press Release

AKME Star Housing Finance Limited

January 18, 2021



Rating Withdrawn

Total Bank Facilities Rated	Rs.50.00 Cr.
Long Term Rating	ACUITE BBB- (Withdrawn)

*Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.50.00 crore bank facilities of AKME Star Housing Finance Limited (ASHFL). This rating is being withdrawn on account of the request received from the client along with No Objection Certificate received from the bank as per Acuite's policy.

About ASHFL:

Rajasthan based ASHFL is promoted by Jain family. Mr. Ashish Jain is the managing director of the company. The company is engaged in extending Loan against Property, construction of houses and builder financing since 2005. The company is a part of larger AKME Group having presence of over two decades in financial services and real estate sectors.

The company presently operates through a DSA model and has presence through a branch network across Rajasthan, Madhya Pradesh, Maharashtra, Tamil Nadu and Gujarat. ASHFL's equity shares are listed on BSE and the promoter and promoter group holds 42.03 percent of the aggregate shareholding in the company as on September 30, 2020.

Analytical Approach:

Acuité has considered the standalone view on ASHFL's business and financial risk profile to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management along with healthy capitalization levels**

ASHFL commenced its lending operations in 2005 upon registration as a Housing Finance company with National Housing Bank. The company is part of AKME group which is promoted by Jain family. The promoters have over three decades of presence in financial services which supports the business profile of the Group. Mr. Ashish Jain as Chairman and Managing Director of ASHFL. Mr. Jain is actively involved in various capacities with the Group since 2015. The group largely operates in Rajasthan and has expanded to Maharashtra, Madhya Pradesh, Gujarat and Tamil Nadu. ASHFL, over the years has been able to increase its assets under management (AUM) to ~Rs.80.46 Cr. as on Sep 30, 2020 from ~Rs.49.15 Cr. as on March 31, 2018. Capital Adequacy ratio stood at 70.92 percent as on March 31, 2020 against 68.40% as on March 31, 2019. This has further increased to 92.1 percent as on Sep 30, 2020, ensuring a room available of future growth.

Acuité believes that ASHFL will continue to benefit from its established position in its areas of operation and the promoters' experience in housing financing.

Weaknesses

- **Ability to maintain asset quality**

ASHFL extends housing loans for three to eight years which are funded through a mix of equity and debt from banks and FIs. Self-employed borrowers form major part of their borrower's profile. The company's asset quality has deteriorated with a Gross NPA of 3.33 percent as on March 31, 2020

as compared 1.71 percent as on March 31, 2019. Further, GNPA stood at 2.91 percent as on Sep 30, 2020. The ability to maintain healthy asset quality is yet to be demonstrated. The collection efficiency of company has taken a hit due to the pandemic covid-19, however recovering to the pre-covid levels around 50% for the last 3 months ending at Sep, 2020. The serviceability of the loans is directly dependent on the level of economic activity in the region of their operations. Therefore, the company to maintain asset quality would be crucial for near to medium term.

Rating Sensitivities

Not Applicable

Material Covenants:

None

Liquidity Position: Adequate

ASHFL's funding profile comprises of term loans from banks and Financial Institutions with tenure of upto five years. The company extends loans for a tenure ranging from 3 to 8 years. The gap between the loans extended by the company and its borrowings has resulted in negative mismatches in over one to three year buckets, based on ALM statement as on Sep 30, 2020.

About the Rated Entity - Key Financials:

Parameters	Unit	FY20 (Actual)	FY19(Actual)
Total Assets	Rs. Cr.	90.94	72.65
Total Income*	Rs. Cr.	10.99	7.21
PAT	Rs. Cr.	5.04	4.10
Net Worth	Rs. Cr.	52.47	30.52
Return on Average Assets (RoAA)	(%)	6.16	6.33
Return on Average Net Worth(RoNW)	(%)	12.31	14.71
Total Debt/Tangible Net Worth (Gearing)	Times	0.72	1.36
Gross NPA	(%)	3.33	1.71
Net NPA	(%)	2.76	1.35

* Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Rating of Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Facilities	Term	Size of the Issue (Rs. Cr.)	Ratings/Outlook
30 Oct, 2019	Term Loan	Long Term	4.05	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	3.25	ACUITE BBB-/Stable (Reaffirmed)

	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	11.74	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	8.12	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.83	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	6.51	ACUITE BBB-/Stable (Reaffirmed)
21 Nov, 2018	Term Loan	Long Term	6.29	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	4.75	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	32.96	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
13 Mar, 2018	Term Loan	Long Term	6.29	ACUITE BBB-/Stable (Upgraded from ACUITE BB+; Indicative)
	Term Loan	Long Term	4.75	ACUITE BBB-/Stable (Upgraded from ACUITE BB+; Indicative)
	Proposed Long Term Loan	Long Term	32.96	ACUITE BBB-/Stable (Upgraded from ACUITE BB+; Indicative)
	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Upgraded from ACUITE BB+; Indicative)
	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Upgraded from ACUITE BB+; Indicative)

***Annexure – Details of instruments rated**

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
-	Term Loan	-	-	-	4.05	ACUITE BBB- (Withdrawn)
-	Cash Credit	-	-	-	3.00	ACUITE BBB- (Withdrawn)
-	Term Loan	-	-	-	3.25	ACUITE BBB- (Withdrawn)
-	Cash Credit	-	-	-	3.00	ACUITE BBB- (Withdrawn)
-	Term Loan	-	-	-	11.74	ACUITE BBB- (Withdrawn)
-	Term Loan	-	-	-	8.12	ACUITE BBB- (Withdrawn)

-	Term Loan	-	-	-	1.83	ACUITE BBB-(Withdrawn)
-	Term Loan	-	-	-	2.50	ACUITE BBB-(Withdrawn)
-	Term Loan	-	-	-	6.00	ACUITE BBB-(Withdrawn)
-	Proposed Bank Facility	-	-	-	6.51	ACUITE BBB-(Withdrawn)

Contacts

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About Acuité Ratings & Research:

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