

Press Release

Finkurve Financial Services Limited

09 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 75.00Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B** (read as SMERA B)' on the Rs. 75.00 crore bank facility of Finkurve Financial Services Limited (FFSL). The outlook is '**Stable**'.

FFSL (formally known as Sanjay Leasing Limited), incorporated in 1984, is a non-banking financial company (NBFC) listed on Bombay Stock Exchange. The company finances small and large companies and is led by Directors, Mr. Ketan B Kothari, Mr. Mohinidevi Bhanwarlal Kothari, Mr. Devkumari Kothari and Mr. Kalawati Prithviraj Kothari. FFSL has a subsidiary, Supama Forex Private Limited, that deals in foreign currency. FFSL has two associate companies - Finkurve Enterprises Private Limited that deals in commodities and Finkurve Bullion Private Limited, engaged in wholesale trading of bullion.

List of key rating drivers and their detailed description

Strengths:

Experienced management

FFSL was registered as a non-deposit taking NBFC in 1984. It provides unsecured loan to enterprises for business purposes. The company benefits from the extensive experience of the Directors, Mr. Ketan B. Kothari, Mr. Sachin Kothari, Mrs. Riddhi Tilwani and Mr. Kamlesh Jain. The directors collectively possess more than a decade of experience in banking, financial, service and the insurance (BFSI) sectors. Mr. Ketan B. Kothari possesses vast experience in future trading and the commodities market. He is presently heading new product development and innovation in the company. Mr. Sachin Kothari, a qualified Chartered Accountant has vast experience in formulating and implementing financial and business advisory strategies for SMEs worldwide.

Weaknesses

Moderate loan portfolio, large exposure to unsecured loans, limited geographical presence

FFSL has a moderate loan portfolio of Rs.79.89 crore as on 31 March, 2017 compared to Rs. 72.81 crore as on 31 March, 2016. Further, the company also has investments in companies (subsidiaries, joint venture and associates) to the extent of Rs. 9.96 crore as on 31 March, 2017 as against Rs.9.82 crore as on 31 March, 2016. Further, as informed by the management, the outstanding loan portfolio of the company stood at Rs. 72.04 crore as on 30 September, 2017.

Majority of the loans (unsecured) are given to group/related parties exposing the company to higher degree of risk. The company has limited geographical presence with operations limited to Maharashtra. The Net Interest Margin (NIM) deteriorated to 4.68 percent in FY2017 compared to 7.50 percent in the previous year. Further, the operating expenses vis-à-vis the Earning Assets also deteriorated to 3.49 percent during FY2017 as against 2.86 percent in the previous year.

The ability of FFSL to grow its loan portfolio with focus on geographical diversification and secured lending while maintaining asset quality and profitability amidst intense competition will remain key rating sensitivities.

Stretched capitalisation levels

The networth of the company stood at Rs. 5.79 crore. The adjusted networth excluding investments in subsidiaries, joint venture and associates stood at Rs. 9.86 crore. The funding of the portfolio is largely from inter-corporate deposits (borrowed at the rate of ~11 per cent). The gearing stood at 4.79 times (adjusted gearing stood at 13.03 times) as on 31 March, 2017 compared to 4.77 times in the previous year (adjusted gearing stood at 13.62 times).

Further, the company has plans to increase its loan portfolio by issuing non-convertible debentures to the extent of Rs. 75.00 crore during FY2019.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company for arriving at the rating.

Applicable Criteria

- Non-Banking Entities-<https://www.smera.in/criteria-service.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that FFSL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if FFSL scales up operations and diversifies its loan portfolio while maintaining its asset quality. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operation or deterioration in asset quality.

About the Rated Entity –Key Financials

Particulars	Unit	FY17	FY16	FY15
Total Assets	Rs. Cr.	97.55	88.35	44.61
Total Income	Rs. Cr.	3.81	4.19	4.06
Profit after Tax (PAT)	Rs. Cr.	0.59	1.20	0.65
Net Worth	Rs. Cr.	15.75	15.12	13.79
Return on Assets (RoA)	(%)	0.64	1.80	2.11
Return on Net Worth(RoNW)	(%)	3.83	8.28	4.88
Total Debt/Tangible Net Worth (Gearing)	Times	4.79	4.77	2.24
Gross NPA	(%)	0.00	0.00	0.00
Net NPA	(%)	0.00	0.00	0.00
Net Worth/ Net NPA	Times	-	-	-

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18 January, 2017	Non-Convertible Debentures (Proposed)	Long Term	75.00	SMERA B/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
Non-Convertible Debentures (Proposed)	N.A	N.A	N.A	75.00	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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