

Press Release

Asomi Finance Private Limited

May 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 13.00 crore bank facilities of Asomi Finance Private Limited. The outlook is '**Stable**'.

Incorporated in 1995, Asomi Finance Private Limited (the erstwhile Arham Finance Private Limited) is a Non-Banking Finance Company - Microfinance Institution (NBFC-MFI) based in Assam. Asomi Finance Private Limited (AFPL) is engaged in the financing of Self-Help groups based in Assam and extends financial support for income generating activities in the agriculture and allied sectors. The activities financed by AFPL include fisheries, piggeries, poultry, farming, weaving, petty shops among others. The company is also a business correspondent for IDBI Bank. AFPL's operations are spread across 35 branches in 19 districts in Assam. The company was promoted by Mr. Bharali and family (Assam).

Key Rating Drivers

Strengths

• Experienced and qualified management

The promoters have experience of over 15 years in the finance industry. The day-to-day operations are led by Directors, Mr. Mahit Chandra Gayari and Mrs. Himani Roy who possess extensive experience in the financial services industry. SMERA believes that AFPL will benefit from its experienced management. AFPL's ability to leverage its promoters longstanding relationship with various financial institutions and grow its Assets Under Management (AUM) over the near to medium term shall be a key credit monitorable.

• Healthy capitalisation and comfortable liquidity profile

AFPL reported Capital Adequacy Ratio of 77.97 percent as on March 31, 2016 as against 58.99 percent as on March 31, 2015. On account of higher than expected growth in its on-balance sheet loan portfolio, AFPL reported marginal moderation in the CAR to 64.97 per cent (Provisional) as on 31 March, 2017. SMERA believes that AFPL's comfortable capitalisation levels will enable AFPL to continue to grow its AUM without raising additional funds over the medium term. AFPL has comfortable liquidity position due to the well matched maturity of assets and liabilities. While most of its assets are short term in nature, the company's borrowings typically carry a maturity of 36 months. The company has also showcased its ability to mobilise funds from various banks from time to time.

• Healthy asset quality resulting in comfortable profitability indicators

AFPL reported a collection efficiency in excess of 99 per cent in the previous financial year. Consequently, the company maintained healthy Portfolio at Risk (PAR) greater than 90 days - 0.05 per cent as on 31 March, 2017 (Provisional) vis-à-vis 0.02 per cent as on 31 March, 2016. Further, the company has not experienced delinquencies in its managed portfolio. AFPL's net interest margins (NIMs) have been in the range of 10.35 per cent to 11.33 percent for the past three years (FY2014 to

FY2016). The company's earning assets mainly comprised its own-loan portfolio and fixed deposits offered as first loss security. The healthy NIMs have enabled AFPL to report a comfortable Return on Average Asset (ROAA) of 1.46 percent in FY2016 as against 0.75 per cent in FY2015. On the back of prudent risk management practices, AFPL is expected to maintain a healthy asset quality and profitability indicators.

Weaknesses

• Modest scale of operations and geographical concentration

There has been an increasing trend on the part of banks and NBFCs to rely on business correspondents to grow their loan book. AFPL faces competition from other micro finance institutions, non-banking finance companies and banks. AFPL's modest earning profile is reflected in the operating income of Rs.7.80 cr in FY2016 as compared to Rs.5.09 cr in FY2015. It reported an AUM of Rs. 76.01 cr as on 31st March, 2016 against Rs. 71.87 cr as on 31 March, 2015. AFPL reported marginal degrowth in its AUM to Rs. 66.56 cr (Provisional) as on 31 March, 2017. This was on account of the overall economic slowdown arising out of unfavourable events like demonetisation. The company's operations are constrained by geographical concentration risk. SMERA believes that the moderate size of its loan book and the geographical concentration of its portfolio will continue to impinge its credit profile over the near to medium term.

• Unsecured nature of lending

Being an MFI, AFPL's advances are not backed by any collateral or security. As a result, in the event of default, the recovery rate is very low. However, this risk is partially mitigated since the loans are extended mainly for income generating activities through SHGs.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that AFPL will maintain a stable outlook on account of its experienced management, adequate capitalisation and healthy asset quality. The outlook may be revised to 'Positive' in case of higher than expected profitability in margins and sustained growth in assets under management while maintaining asset quality. The outlook may be revised to 'Negative' in case of headwinds faced by AFPL in growing its loan book and/or sustained stress in asset quality over the near to medium term.

About the Rated Entity - Key Financials

AFPL reported PAT of Rs. 0.45 cr on total income (interest income plus fee income) of Rs. 7.80 cr in FY2016 as compared to PAT of Rs.0.29 cr on total income (interest income plus fee income) of Rs.5.09 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2022	2.00	SMERA BB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Nikhil Tantia Analyst - Rating Operations Tel: 033-66201206 nikhil.tantia@smera.in	

ABOUT SMERA

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