

## Press Release

### AKME FINTRADE INDIA LIMITED

13 March, 2018

### Rating Assigned



<b>Total Facilities Rated*</b>	Rs. 250.00 Cr.
<b>Total Bank Facilities Rated*</b>	Rs. 247.00 Cr.
<b>Long Term Rating</b>	SMERA BBB+ / Outlook: Stable
<b>Fixed Deposit</b>	Rs. 3.00 Cr.
<b>Fixed Deposit Rating</b>	SMERA FA/Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the Rs.247.00 crore bank facilities of AKME FINTRADE INDIA LIMITED. SMERA has also assigned rating of '**SMERA 'FA'**' (read as **SMERA FA**) on the Rs.3.00 crore fixed deposit. The outlook is '**Stable**'.

The Udaipur-based Akme Fintrade (India) Limited (AFIL), incorporated in 1996 is part of the Akme Group promoted by Mr. Nirmal Jain, Mr. Mohan Lal Nagda and family. The deposit taking asset financing NBFC is engaged in the financing of two wheelers, three wheelers and commercial vehicles. The company also lends against property. The group has interests in real estate, automobile dealership, asset financing and housing finance. Currently, AFIL has operations in Rajasthan (78 percent of loan portfolio), Maharashtra (12 percent), Gujarat (7 percent) and Madhya Pradesh (3 percent).

### Key Rating Drivers

#### Strengths

- **Growth in loan portfolio while maintaining asset quality**

AFIL registered around 92 percent increase in loan portfolio from Rs 142.80 crore as on 31 March, 2017 to Rs 274.68 crore as on 31 December, 2017 owing to expansion in loan against property (LAP) segment. (LAP loans are sanctioned primarily for business purpose). The LAP Portfolio stood at Rs 134.92 crore (~49 percent of total loan portfolio) as on December 2017 as against Rs 83.17 crore as on March 2017 registering growth of more than 60 percent. The two wheeler segment contributed Rs.128.50 crore (~47 percent of loan portfolio) as on December 2017 compared to Rs 83.17 crore as on March 2017. The growth in loan portfolio was supported by 27.04 percent increase in active borrowers as on 31 December, 2017. Further, the asset quality registered moderate improvement evident from the Gross NPA ratio of 1.42 percent as on December 2017 as against 1.72 percent as on March 2017.

Going forward, SMERA believes that sustainable growth in loan portfolio while maintaining asset quality will be crucial for the company.

- **Established track record and experienced management**

AFIL was incorporated in 1996. The company has a well-established network around Udaipur, Rajasthan. Mr.Nirmal Jain, CEO, has more than three decades of experience in the financial sector and is ably supported by a second line of management. AFIL draws support from its group companies, Akme Automobiles Limited (dealer of TVS Motors in Udaipur) and Akme Fincon Limited, (NBFC engaged in two wheeler financing) for new business.

#### Weaknesses

- **Moderation in capital adequacy**

AFIL exhibits moderate capital adequacy at 18.41 percent as on 31 December, 2017 as against 24.31 percent

as on 31 March, 2017 on account of expansion of the loan book by 92 percent during April –December 2017. Considering the modest base of the loan book and the aggressive expansion plans, significant capital infusion in the near to medium term may be required to maintain 15 percent capital adequacy as stipulated by Reserve Bank of India (RBI). The company's ability to maintain healthy capital adequacy while expanding its loan book will be a key rating sensitivity.

#### • Significant exposure to level of economic activity in Rajasthan

About 78 percent of the portfolio is concentrated in Rajasthan (Udaipur) as on December, 2017. Maximum loans are disbursed to self-employed individuals. The segment is characterised by variability in income with cash flows linked to the level of economic activity around. Any slowdown in the economic activity can adversely impact their ability to service debt. This in turn can affect the ability of players such as AFIL to maintain a healthy asset quality. AIFL's capability to grow its loan portfolio at a sustainable pace and maintain its asset quality depends significantly on the economic condition of the rural segment it caters to.

#### Outlook: Stable

SMERA believes that AFIL 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 asset quality or decline in profitability indicators.

#### About the Group

AFIL is part of the Udaipur-based Akme Group that has more than two decades of experience in the real estate, automobile dealership and financial services sectors. 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 of the business and financial risk profiles of Akme Fintrade (India) Limited, Akme Star Housing Limited and Akme Fincon Limited. The aforementioned entities are collectively referred to as the 'Akme Group'. The consolidation is in view of the similarities in the lines of businesses, 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>
- Fixed Deposit - <https://www.smera.in/criteria-fd.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 (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. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.28	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.67	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	18.89	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.45	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.57	SMERA BBB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB+ / Stable

Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BBB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	99.84	SMERA BBB+ / Stable
Fixed Deposit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA FA/Stable

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## ABOUT SMERA

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