

Press Release

Akme Fintrade India Limited

November 20, 2019



Rating Reaffirmed and Withdrawn

Total Facilities Rated	Rs.250.00 crore
Total Bank Facilities Rated	Rs.247.00 crore
Long Term Rating	ACUITE BBB+ / Stable (Reaffirmed)
Fixed Deposit	Rs.3.00 crore
Fixed Deposit rating	ACUITE FA (Withdrawn)

^Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.247.00 Cr. bank facilities of Akme Fintrade India Limited (AFIL). The outlook is **'Stable'**.

Acuite has withdrawn the long term rating of **'ACUITE FA' (read as ACUITE FA)** on the Rs.3.00 Cr. fixed deposit programme of Akme Fintrade India Limited (AFIL). The rating is being withdrawn on account of request received from the company and on the premise that the company is a non-deposit taking NBFC since September 5, 2019.

About AFIL:

Akme Fitrade India Limited (AFIL), incorporated in 1996, is an Udaipur, Rajasthan, based non-deposit taking non-banking finance company (NBFC) promoted by Mr. Nirmal Kumar Jain. The company is engaged in financing of two wheelers, four wheelers, commercial vehicles and loan against property (LAP) where in SME the target borrower base is. The company is a part of larger AKME Group having presence of over two decades in financial services. The day to day operations of the company are managed by Mr. Nirmal Jain, who is the managing director. The company presently operates through a network of 69 branches spread across Rajasthan, Madhya Pradesh, Maharashtra and Gujarat as on September 30, 2019, with majority of their operations in Rajasthan.

Analytical Approach:

Acuite has considered a standalone view on AFIL's business and financial risk profile to arrive at the rating.

Earlier, Acuite had adopted a consolidated approach on the business and financial risk profile of AKME Fintrade India Limited (AFIL) along with AKME Fincon Limited (AFL) and AKME Star Housing Finance Limited (ASHFL). The consolidated approach was driven by the common management, shared brand, and strong business, operational and financial synergies between these companies.

The change in the approach for AKME Group was on account of Akme Star Housing Finance Limited entering into a definitive agreement with Arkfin Investments Private Limited (AIPL) for equity infusion.

The management's philosophy is to manage the three companies i.e. ASHFL, AFL and AFIL on independent lines with no guarantees or cross default guarantees extended within the group. Hence, AFIL's linkages with the other group entities in the form of direct/indirect exposures among others are expected to be significantly lower.

Key Rating Drivers

Strengths

- **Established track record in financial services:**

AFIL commenced its lending operations in 1996 upon registration as a Non-Banking Finance Company (NBFC). The company mainly operates in Rajasthan, Madhya Pradesh, Maharashtra and Gujarat with a network of 69 branches as on September 30, 2019. The company is part of AKME group which is promoted by Mr. Nirmal Kumar Jain, Mr. Anil Kumar Jain and late Mr. Mohan Lal Nagda. The promoters have over three decades of presence in financial services which supports the business profile of the Group.

AKME group entered financial services sector in 1996 with AKME Fincon Limited (a non-deposit taking NBFC) and has gradually expanded its operations through group companies namely AKME Fintrade Limited (a non-deposit taking NBFC) and AKME Star Housing Finance Limited (HFC). AFIL largely operates in Rajasthan and has expanded to Maharashtra, Madhya Pradesh and Gujarat.

AFIL's loan book stood at Rs.475.09 Cr. as on March 31, 2019 as against Rs.335.94 Cr. as on March 31, 2018 (Rs. 142.8 Cr. as on March 31, 2017). As on September 30, 2019, the overall loan book stood at Rs.483.83 Cr of which loan against property (LAP) towards SME borrowers comprised of 71.67 percent, followed by two wheeler financing of 21.78 percent and three/four wheeler loans of 6.55 percent. Going forward the company plans to maintain a similar product mix with focus on extending Loans against property (LAP) to SME borrowers.

AFIL's capitalization remained comfortable with overall Capital Adequacy Ratio (CAR) of 22.90 percent as on March 31, 2019 as against 22.04 percent as on March 31, 2018. Of the overall CAR as on March 31, 2019, Tier I CAR constituted 18.53 percent and Tier II CAR constituted 4.37 percent. AFIL has a healthy networth of Rs.95.07 Cr. as on March 31, 2019 as against Rs.66.21 Cr. on March 31, 2018 (Rs. 36.43 Cr as on March 31, 2017). The sharp increase in networth is on account of yearly equity infusion from promoters, where in the promoters have infused Rs.40.38 Cr, in the three year ended March 31, 2019, of which Rs.11.80 Cr. was infused in FY2019. The company has maintained the gearing of 4.34 times as on June 30, 2019 (4.47 times as on March 31, 2019).

Acuite believes that AFIL will continue to benefit from its established presence in the financial services industry along with the experienced promoters. This will enable the company to maintain strong growth momentum over the medium term across various products.

Weaknesses

- **Low seasoned portfolio**

AFIL's management was initially focussed on vehicle financing and has gradually shifted its focus towards extending loan against property (LAP). The company primarily extends Loan against property to self-employed individuals for business need against a self-occupied residential/commercial property. The company's LAP portfolio has observed a significant growth from Rs.53.1 Cr. as on March 31, 2017 to Rs. 195.7 Cr. as on March 31, 2018 and Rs. 323.8 Cr. as on March 31, 2019. The LAP portfolio as on September 30, 2019 stood at Rs. 346.8 Cr. The tenure of these loans range from 2 to 5 years. Since a significant portion of LAP portfolio has been originated in the past 2 years, the seasoning of these portfolio is relatively low. Therefore the performance of these loan assets is yet to be demonstrated.

AFIL's gross non-performing assets (GNPA) stood at 1.88 percent as on March 31, 2019 (1.73 percent as on March 31, 2018) and 1.91 percent as on September 30, 2019. The company has demonstrated an average collection efficiency of 94 percent in the 13 months ended September 30, 2019.

Acuite believes that performance of the recently originated LAP assets will be critical for AFIL to maintain a stable credit profile going forward.

•Skewed product and Geographical mix:

AFIL is engaged in financing of three product segments namely two wheeler financing, financing of pre-owned three wheeler and four wheelers and Loans against property. The company's loan portfolio has grown from Rs. 142.8 as on March 31, 2017 Rs. 335.9 Cr. as on March 31, 2018 and Rs. 475.1 Cr. as on March 31, 2019. The growth is primarily driven by LAP loans which are of higher ticket size; a deviation from the original focus of promoters of vehicle financing which are comparatively smaller in ticket size and of a lower tenure. The company's LAP portfolio comprised 72 percent of the AUM as on March 31, 2019 as against 37 percent as on March 31, 2017. Going forward, the company plans to continue to maintain the product mix for over near term.

The company's overall credit profile is susceptible to concentration towards LAP loans which in turn are prone to inherent risks. The LAP loans are extended to self-employed individuals for business purposes. The serviceability of these loans by the self-employed individuals is directly dependent on the level of economic activity in the region. The company's operations are primarily concentrated in Rajasthan with ~70 percent of the overall loans as on September 30, 2019(70 percent as on March 31, 2019 and 79 percent as on March 31, 2018). Occurrence of events such as slowdown in economic activity or shifting of industrial activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of AFIL's borrowers.

Acuite believes that the company's ability to maintain its asset quality given the low seasoned loan book and increased presence in the newer geographies will remain a key rating sensitivity.

Rating Sensitivities

- Significant deterioration in leverage indicators
- Significant deterioration in asset quality and profitability metrics

Material Covenants: None

Liquidity Position: Adequate

AFIL's liquidity profile is supported by continued infusion from promoters and its ability raise funds from various banks and institutions. The Company had adequately matched asset liability profile as on September 30, 2019 with no negative cumulative mismatches in any of the buckets upto 5 years.

Acuite believes that AFIL's ability to raise funds at competitive rates and maintain healthy liquidity buffers to support any exigencies especially given the current operating environment for NBFCs will remain critical.

Outlook: Stable

Acuite believes that AFIL will maintain a 'Stable' credit profile over the near to medium term on account of established presence in the financial services industry and experienced management. The outlook may be revised to 'Positive' in case of significant growth in the loan portfolio while maintaining asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of significant deterioration in asset quality or moderation in profitability or in case of higher than expected leveraged capital structure.

About the Rated Entity - Key Financials:

Parameters	Unit	FY19(Actual)	FY18 (Actual)	FY17 (Actual)
Total Assets	Rs. Cr.	535.11	398.90	167.55
Total Income*	Rs. Cr.	41.84	23.57	10.76
PAT	Rs. Cr.	17.65	10.86	3.06
Net Worth	Rs. Cr.	95.07	66.21	36.43
Return on Average Assets (RoAA)	(%)	3.78	3.83	2.32
Return on Average Net Worth(RoNW)	(%)	21.89	21.16	10.10
Total Debt/Tangible Net Worth (Gearing)	Times	4.47	4.95	3.53
Gross NPA	(%)	1.88	1.73	1.72
Net NPA	(%)	1.35	1.53	1.41

* 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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
November 21 , 2018	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	0.30	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	6.28	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	4.67	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	18.89	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	9.50	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.45	ACUITE BBB+/Stable (Reaffirmed)

	Term Loan	Long Term	9.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	13.50	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	5.57	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Reaffirmed)
	Fixed Deposit	Long Term	3.00	ACUITE FA/Stable (Reaffirmed)
	Proposed bank facility	Long Term	99.84	ACUITE BBB+/Stable (Reaffirmed)
March 13 , 2018	Term Loan	Long Term	10.00	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	0.30	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	6.28	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	4.67	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	18.89	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	9.50	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	2.45	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	9.00	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	13.50	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	5.57	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Assigned)
	Fixed Deposit	Long Term	3.00	ACUITE FA/Stable (Assigned)
	Proposed bank facility	Long Term	99.84	ACUITE BBB+/Stable (Assigned)

*The issuer did not co-operate; Based on best available information.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	NA	NA	NA	10.00	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	10.00	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	0.30	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	6.28	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	4.67	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	18.89	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	7.00	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	9.50	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	2.45	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	9.00	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	13.50	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	5.57	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	NA	NA	NA	5.00	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	NA	NA	NA	50.00	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	NA	NA	NA	5.00	ACUITE BBB+/Stable (Reaffirmed)
Fixed Deposit	NA	NA	NA	3.00	ACUITE FA (Withdrawn)
Proposed bank facility	NA	NA	NA	99.84	ACUITE BBB+/Stable (Reaffirmed)

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