

## Press Release

Asrec India Limited

November 14, 2022



### Rating Downgraded and Issuer not co-operating

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB+   Downgraded   Issuer not co-operating*	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has downgraded the long-term rating from '**ACUITE A-**' (read as **ACUITE A minus**) to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.100.00 Cr. bank facilities (including proposed facilities) of Asrec India Limited (AIL). The rating is now flagged as "Issuer not cooperating" and is based on the best available information.

#### Rationale for Downgrade:

The rating is downgraded on account of information risk which is critical for conducting surveillance & review of the rating. The rating however continues to take into account the parentage of prominent public sector banks along with experienced management and healthy financial performance. The management fees have been higher which resulted in improvement in operating income from Rs. 43.06 Cr. in FY2021 to Rs. 53.52 in FY2022. The rating also takes into account the comfortable recovery track record. The recoveries for FY2022 stood at Rs. 274.2 Cr. as against Rs. 114.58 Cr. in FY2021. These strengths are partially offset by susceptibility of earning profile to asset recovery due to Inherent challenges faced by ARC segment.

#### About the Company

Mumbai based, Asrec India Limited (AIL) was incorporated in 2003. AIL is engaged in acquiring distressed assets from banks and financial institutions and resolving them through appropriate resolution strategies. The company is sponsored by prominent public sector banks and institutions. The Board comprises of eight member led by Mr. Girish Sharan Sinha, Managing Director and CEO of the company, the other members include nominees from sponsor banks. The top management is supported by functional professionals with expertise in areas pertaining to credit, recovery and law.

#### Non-cooperation by the issuer/borrower

Acuite has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer/borrower failed to submit such information before the due date. Acuite believes that information risk is a critical component in such ratings, and non-cooperation by the issuer along with an unwillingness to provide information could be a sign of potential deterioration in its overall credit quality. This rating is therefore being flagged as "Issuer not-cooperating", in line with prevailing SEBI

regulations and Acuité's policies.

### Limitation regarding information availability

The rating is based on information available from sources other than the issuer/borrower (in the absence of information provided by the issuer/borrower). Acuité endeavored to gather information about the entity/industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

### Rating Sensitivities

No information provided by the issuer/available for Acuite to comment upon.

### Material Covenants

None

### Liquidity Position

No information provided by the issuer/available for Acuite to comment upon.

### Outlook :

Not Applicable

### Other Factors affecting Rating

None

### Key Financials:

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	258.48	293.52
Total Income*	Rs. Cr.	53.52	43.06
PAT	Rs. Cr.	20.37	11.99
Net Worth	Rs. Cr.	186.95	165.70
Return on Average Assets (RoAA)	(%)	7.38	4.83
Return on Average Net Worth (RoNW)	(%)	11.55	7.49
Debt/Equity	Times	0.17	0.45

\*Total income equals Net Interest Income plus other income.

### Status of non-cooperation with previous CRA

None

### Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Asset Reconstruction Companies: <https://www.acuite.in/view-rating-criteria-85.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general

understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Aug 2021	Secured Overdraft	Long Term	10.00	ACUITE A-   Stable (Assigned)
	Proposed Cash Credit	Long Term	52.74	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	37.26	ACUITE A-   Stable (Reaffirmed)
16 Oct 2020	Term Loan	Long Term	37.26	ACUITE A-   Negative (Assigned)
	Cash Credit	Long Term	50.00	ACUITE A- (Withdrawn)
	Proposed Cash Credit	Long Term	62.74	ACUITE A-   Negative (Reaffirmed)
05 Jul 2019	Proposed Cash Credit	Long Term	50.00	ACUITE A-   Negative (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A-   Negative (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of Mauritius Ltd	Not Applicable	External Commercial Borrowing	Not Applicable	Not Applicable	Not Applicable	Simple	37.26	ACUITE BBB+   Downgraded   Issuer not co-operating*
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	52.74	ACUITE BBB+   Downgraded   Issuer not co-operating*
State Bank of Mauritius Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+   Downgraded   Issuer not co-operating*

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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