



**Press Release**  
**ASREC INDIA LIMITED**  
**February 14, 2025**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE A   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to ‘**ACUITE A**’ (read as **ACUITE A**) from ‘**ACUITE BB**’ (read as **ACUITE double B**) on the Rs. 100.00 Cr. bank facilities of Asrec India Limited (AIL). The outlook is ‘**Stable**’. Acuite has migrated the company from issuer not cooperating tag to regular.

**Rating Rationale:**

The rating is driven by improvement in AIL’s financial performance, adequate capitalisation levels and significant growth in AUM. The rating continues to factor the parentage of prominent public sector banks, and the presence of an experienced management team. AIL’s AUM increased from Rs.2873.6 crore as on March 31, 22 to Rs. 4133.55 crore as on March 31, 23 and Rs 4216.75 crore as on March 31, 2024. On the profitability front, RoAA increased to 7.90% during FY24 from 6.78% during FY23. The rating also takes into account comfortable capitalization levels (86 .50% as on March 31, 2024) and recovery track record. The rating is however constrained on account of susceptibility of the earnings profile to asset recovery which is inherent to ARC business model. Going forward, change in the promoter shareholding and AIL’s ability to profitably grow its portfolio are key rating sensitivities.

**About the company**

Mumbai based, Asrec India Limited was incorporated in 2003. It 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 comprised of eight members led by Mr. Girish Sharan Sinha, Managing Director and CEO of the company, the other members include the nominees from sponsor banks. The top management is supported by functional professionals expertised in areas pertaining to credit, recovery, and law.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has adopted a standalone approach on AIL’s business and financial risk profile for arriving at the rating.

**Key Rating Drivers**

**Strength**

**Parentage of prominent public sector banks and experienced management**

Parentage of prominent public sector banks and experienced management AIL is sponsored by prominent

public sector banks including Indian Bank (38.27% stake), Bank of India and Andhra Bank (26.02% stake each), Life insurance Corporation of India (9.18% stake) and Deutsche Bank (0.51% stake) as on March 31, 2021. The Board of the Company comprises of experienced professionals with banking and legal background. AIL is headed by Mr. Girish Sharan Sinha (MD and CEO) who has vast experience of over a decade in Asset Reconstruction Companies (ARCs). Dr. K.P. Krishnan is the Chairman and had an extensive experience of 37 years in the Indian Administrative Service (IAS). During this tenure, he held various positions in the Government of Karnataka, Government of India and at the World Bank. The other board members include two Nominee Directors with vast experience in banking sector. Acuite believes that AIL is expected to continue to receive support from its strong parentage over the medium

term.

### Improvements in financial performance and adequate capitalisation levels

AIL's revenue profile comprises income from management fees, income from investments in financial assets and investments in security receipts. The company reported total income of Rs. 46.69 Cr. in FY2024 as against Rs. 38.22 Cr. in FY2023. The company reported Profit after Tax (PAT) of Rs.21.01 Cr. in FY2024 as against Rs.17.98 Cr. in FY2023. RoAA increased to 7.90% during FY24 from 6.78% during FY23. AIL reported tangible net worth of Rs.226.22 crore as on March 31, 2024 (Rs. 205.37 Cr. as on March 31, 2023). The gearing as on March 31, 2024 was 0.12 times as against 0.25 times as on March 31, 2023. The capital adequacy ratio of the company stood at 86.50 percent as on March 31, 2024. Acuité believes that AIL will maintain its adequate capitalisation levels over the near to medium term.

### Weakness

#### Susceptibility of earning profile to asset recovery due to Inherent challenges faced by ARC segment:

AIL is likely to continue to face challenges given the inherent uncertain and time consuming nature of the recoveries asset reconstruction business. The current disposition does not provide any significant benefits to the banks (sellers of these distressed assets) in case the investment of the bank in these SR's exceed a threshold limit, incentivizing the banks to go for cash deals and tilting the balance in favor of those ARCs who are able to acquire assets for direct cash conditions as against issuance of security receipts. However, this is lesser in case of AIL as it is of retail nature and gets steady management fees from seller. Since the regulation has allowed investment by QBs, the ability of any ARC to tap this route will depend to a large extent on their demonstrated track record of recovery. Any challenges in achieving meaningful resolution of these assets will also have a bearing on the ability of the ARC to attract future support from the QBs for their acquisitions. Most of the distressed assets have multiple lenders and a resolution strategy can be evolved and implemented only upon the concurrence of most of these lenders. The approach of the lenders in any particular resolution strategy also needs to be aligned with the other lenders. Additionally, the current environment with economic contraction signs are not conducive for effective and speedy resolution of stressed assets. Hence the players like AIL are likely to face challenges in maintaining their revenue profiles and earnings consistently in the current situation.

### Rating Sensitivity

- Significant changes in ownership pattern
- Deterioration in credit profile/financial flexibility of AIL
- Delayed resolutions impinging recovery performance thereby impacting earnings profile
- Regulatory environment governing ARCs

### Liquidity Position

#### Adequate

AIL had unencumbered cash and cash equivalents of ~Rs. 15.58 Cr. as on 31st March, 2024. AIL's borrowing profile comprises of external commercial borrowings, overdrafts and inter-corporate borrowings. Given the uncertain/lumpy nature of recoveries, the company's borrowings are mainly in the form of overdrafts and short tenure inter-corporate borrowings which enables it to match liquidity position.

### Outlook: Stable

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets*	Rs. Cr.	259.72	272.10
Total Income**	Rs. Cr.	46.69	38.22
PAT	Rs. Cr.	21.01	17.98
Net Worth	Rs. Cr.	226.22	205.37
Return on Average Assets (RoAA)	(%)	7.90	6.78
Return on Average Net Worth (RoNW)	(%)	9.74	9.16

Debt/Equity	Times	0.12	0.25
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\*Total Assets adjusted to deferred tax liability

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

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

Not Applicable

**Any other information**

None

**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
05 Aug 2024	Proposed Cash Credit	Long Term	52.74	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	External Commercial Borrowing	Long Term	37.26	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Secured Overdraft	Long Term	10.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
09 May 2023	Proposed Cash Credit	Long Term	52.74	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+)
	External Commercial Borrowing	Long Term	37.26	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+)
	Secured Overdraft	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB+)
14 Nov 2022	Proposed Cash Credit	Long Term	52.74	ACUITE BBB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	External Commercial Borrowing	Long Term	37.26	ACUITE BBB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)
	Secured Overdraft	Long Term	10.00	ACUITE BBB+ (Downgraded & Issuer not co-operating* from ACUITE A-   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of Mauritius Ltd	Not avl. / Not appl.	External Commercial Borrowing	06 Mar 2020	Not avl. / Not appl.	06 Mar 2025	5.10	Simple	ACUITE A   Stable   Upgraded ( from ACUITE BB )
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	52.74	Simple	ACUITE A   Stable   Upgraded ( from ACUITE BB )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.16	Simple	ACUITE A   Stable   Upgraded ( from ACUITE BB )
State Bank of Mauritius Ltd	Not avl. / Not appl.	Secured Overdraft	28 May 2024	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A   Stable   Upgraded ( from ACUITE BB )

## 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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