

Press Release

Birmecha Investments Private Limited

August 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.15.00 crore bank facilities of Birmecha Investments Private Limited (BIPL). The outlook is '**Stable**'.

Birmecha Investments Private Limited (BIPL) was originally established in February 1989. The current management took over the company on 29 January, 2016. BIPL is headed by Mr. Dharmesh Arvindbhai Minawala, Mr. Aditya Dinesh Kedia and Mr. Manoj Kumar Jain. BIPL is a NBFC which borrows from banks and other group companies and lends mainly to group companies and other companies. The average ticket size ranges between Rs.1.00 crore to Rs.2.00 crore. The repayments are mainly monthly and quarterly.

Key Rating Drivers

Strengths

- **Moderate scale of operations**

BIPL has moderate scale of operations with its assets under management of Rs.107.91 crore as on March 2018 (Provisional) which increased from Rs.98.87 crore as on March 2017 and Rs.14.77 crore as on March 2016. The company plans to grow at healthy pace which will help to reap benefits of scale over the medium term.

Weaknesses

- **Low Profitability Levels**

The company reported a PAT of Rs.0.05 crore for FY2018 (Provisional) as against Rs.0.06 crore for FY2017. The Net Interest Margin (NIM) is low at 0.32 percent in FY2018 (Provisional) as against 0.68 percent during FY2017 as the company lends mostly to group companies at a very small spread over its borrowing cost. Hence, ROAAs continue to be low at 0.05 percent for FY2018 (Provisional) (0.10 percent during FY2017). The profitability is expected to remain low over the medium term as the NIM is expected to remain at a similar range over the medium term.

- **Low capital position**

BIPL has low capitalisation as reflected in low net worth base of Rs.2.16 crore and high gearing of 51.70 times as on 31 March, 2018 (Provisional) as against Rs.2.11 crore and gearing of 46.56 times as on 31 March, 2017. Capitalisation is also constrained by low accruals to net worth. The capital adequacy was at 37.82 percent as on 31 March, 2017. The company's ability to maintain healthy capitalisation while expanding its loan book will be a key rating sensitivity factor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the BIPL to arrive at this rating.

Outlook: Stable

Acuité believes that BIPL will maintain a 'Stable' outlook over the medium term driven by its scale of operation. The outlook may be revised to 'Positive' if BIPL significantly scales up operations while improving its profitability and capitalisation significantly. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	115.61	101.12	15.83
Total Income	Rs. Cr.	0.33	0.39	-0.13
PAT	Rs. Cr.	0.05	0.06	0.17
Net Worth	Rs. Cr.	2.16	2.11	1.30
Return on Assets (RoA)	(%)	0.05	0.10	1.97
Return on Net Worth(RoNW)	(%)	2.58	3.32	14.13
Total Debt/Tangible Net Worth (Gearing)	Times	51.70	46.56	11.04
Gross NPA	(%)	0.00	0.00	0.00
Net NPA	(%)	0.00	0.00	0.00
Net Worth/ Net NPA	Times	-	-	-

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Non - Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-10.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B / Stable (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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