

## Press Release

**Gokul Finance And Investment Co. Limited**

**D-U-N-S® Number: 67-741-2521**

December 31, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	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. 10.00 crore bank facilities of Gokul Finance And Investment Co. Limited. The outlook is '**Stable**'.

Gokul Finance & Investment Co Limited (GFICL) incorporated in 1989 is a Hyderabad (Telangana) based non-banking financial company. GFICL primarily offers loan against property (LAP) and unsecured loans. It had a loan portfolio of Rs.7.59 Cr as on 31st March 2018.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

GFICL's management has more than 3 decades of experience in various financial services activities. Mr. Gopalakrishna (Managing Director) has more than 3 decades of experience in lending business. The company will benefit from the promoters' strong experience thus helping the company steadily scale-up the operations over the medium term.

#### Weaknesses

- **Small scale of operations resulting in modest profitability**

GFICL has small scale of operation with an outstanding loan portfolio of Rs.7.59 Cr as on March 31 2018 as against Rs.7.00 crore a year ago. The company's small scale of operation is impacting its earning profile with negligible profit after tax of Rs.0.36 Cr in FY2017-18 (Rs.0.46 Cr in FY 2016-17). Going forward the ability of the company to expand the scale of operations will remain as a key monitorable.

- **Geographical concentration**

GFICL's operates out of one branch in Hyderabad (Telangana) and hence geographic concentration in the portfolio remains very high. The company has no plans of expansion of its operation and therefore the company's performance will remain susceptible to the high geographic concentration in the portfolio.

#### Liquidity Position

GFICL currently operates through its own funds as reflected in the low external debt of Rs. 1.5 Cr as on March 31 2018 (gearing of 0.19 time as on March 31 2018). The debt is in the form of working capital debt with no outstanding term loans. The company plans to borrow external funds to increase its scale of operations. The company's ability to manage liquidity with the increase in the external debt remains to be seen.

#### Outlook: Stable

Acuité believes that GFICL will maintain a 'Stable' outlook on account of its experienced management

team. The outlook may be revised to 'Positive' if there is an increase in the scale of operations while maintaining healthy capital structure and profitability. The outlook may be revised to 'Negative' if there is pressure on asset quality or profitability.

#### About the Rated Entity - Key Financials

	Unit	FY18	FY17	FY16
Total Assets	Rs. Cr.	11.39	9.76	9.31
Total Income (Net of Interest Expense)	Rs. Cr.	1.26	0.93	1.21
PAT	Rs. Cr.	0.36	0.46	0.44
Net Worth	Rs. Cr.	7.97	6.41	5.94
Return on Average Assets (RoAA)	(%)	3.37	4.77	9.39
Return on Average Net Worth (RoNW)	(%)	4.95	7.37	14.72
Total Debt/Tangible Net Worth (Gearing)	Times	0.19	0.21	0.19
Gross NPAs	(%)	24.64	17.40	21.51
Net NPAs	(%)	1.76	0.00	0.00

#### 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](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
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B / Stable

#### Contacts

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**About Acuité Ratings & Research:**

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