

## Press Release

### Akara Capital Advisors Private Limited

December 07, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.25.00 Crore bank facilities of Akara Capital Advisors Private Limited. The outlook is '**Stable**'.

The rating takes into account management profile, support from parent entity and the company's healthy capitalization metrics. Rating also reflects its co-lending partnership with established NBFCs supporting its AUM growth and understanding of risk dynamism of this trade. However, these strengths are partially offset by moderate scale of operations with limited track record and subdued asset quality.

### About the Company

Incorporated in 2016, Akara Capital Advisors Private Limited (ACAPL) is a Delhi based Non-deposit taking NBFC (ND-NBFC) registered with RBI effective 2017. ACAPL is promoted by Mr. Tushar Aggarwal and Mrs. Shruti Aggarwal, who collectively have over two decades of experience in financial services.

ACAPL is engaged in lending customized personal loan products ranging Rs.0.01 lacs to Rs.5 lacs, primarily to salaried customer segment. The company is originating and disbursing loan through a platform developed and operated by group company, EQX Analytics Private Limited (EAPL). The company's AUM stood at ~Rs.160 Cr. as on March 31, 2020, comprising of owned portfolio of ~Rs.98 Cr. and off-book exposure of ~Rs.62 Cr.

### Analytical Approach

Acuite understands that arrangement between ACAPL and EAPL for using EAPL's platform for lending activities is on arm's length basis. Accordingly, Acuite has adopted the standalone approach while assessing the business and financial risk profile of Akara Capital Advisors Private Limited.

### Key Rating Drivers

#### Strengths

- **Experienced management in financial services sector; support from parent entity**

ACAPL a Non-Deposit taking Non-Banking Financial Company, commenced its operations in 2017 and is engaged in lending customized personal loan products primarily to salaried customer segment. The founders of ACAPL, Mr. Tushar Aggarwal and Mrs. Shruti Aggarwal collectively have an experience spanning over two decades in financial services. Before starting ACAPL, Mr. Tushar Aggarwal worked at Goldman Sachs, Lehman Brothers, General Atlantic and Everstone in Investment Banking and Private Equity and Mrs. Shruti Aggarwal at Merrill Lynch and PWC in Investment Banking.

The day-to-day operations are managed by the promoter Mrs. Shruti Aggarwal along with the support of functional heads. The board comprises of other than promoters, Mr. Satish Chandra Sinha who was previously a member on the Board of Industrial and Financial Reconstruction (BIFR) and Executive Director at Oriental Bank of Commerce.

ACAPL is wholly owned subsidiary of Morus Technologies Pte Ltd (MTPL), a Singapore based entity promoted by Mr. Tushar Aggarwal, which has on its board marquee investors like Tencent and senior investment professionals of KKR.

Acuite believes that the company's growth prospects will be supported by the management's extensive experience in the financial services sector fortified by support from MTPL.

### **Heathy capitalisation buffers**

ACAPL commenced its operations in 2017 and its Assets Under Management (AUM includes on book and off book exposure) has grown to ~Rs.160 Cr. as on March 31,2020 from ~Rs.110 Cr as on March 31,2019 and ~Rs.23 Cr as on June 30,2018. The AUM of ~Rs.160 Cr comprised owned portfolio of ~Rs.98 Cr. and off-book exposure of ~Rs.62 Cr. as on March 31, 2020. This growth in AUM is supported by regular capital infusion, coupled with a partnership established NBFCs co-lending activities. ACAPL has raised ~Rs.40 crore since its inception from its promoters and MTPL. Consequently, its networth stood at ~Rs.40 crore with gearing of 0.91 times and Capital Adequacy Ratio (CAR) at 37.50% as on March 31,2020. Further, capital infusion of ~Rs. 20 Cr. by MTPL in August strengthened CAR to 61.21% as on and gearing to 0.32 times (Provisional) as on September 30,2020.

Acuite the company's ability to maintain good capitalisation while scaling up operations will be important from a credit perspective.

### **Weaknesses**

#### **Susceptible to inherent risks in unsecured lending; seasoning of portfolio needs to be seen**

ACAPL borrower profile mostly comprises of salaried individuals with moderate credit profile which exposes the company to asset quality risks given the vulnerability of such borrowers to economic shocks. ACAPL's personal loan portfolio comprises of two products viz. 'Liberate' loans (~87% of the AUM as on March 31,2020) having average ticket size of Rs.1 lac and average tenor of ~15 months and 'Elevate' loans (~13% of the AUM as on March 31,2020) having average ticket size of Rs.0.03 lacs and average tenor of ~1 month. The company asset quality metrics witnessed deterioration as reflected in GPA (+90dpd) rising to 5.14% as on March 31,2020 as against 4.71% as on March 31,2019 on account of uptick in delinquencies in both the products. Moreover, high write offs pushed credit costs to 10.17% as on March 31,2020 as against 2.42% as on March 31,2019. Further, the company's AUM gained traction in the last two fiscals indicating limited seasoning of asset profile. This is evident with the 90+ dpd, on a 1 year lagged basis, being high at 8.50% as on March 31,2020.

Acuite believes that ACAPL's ability to contain asset quality risks through efficient underwriting and collection in the light of continuously evolving economic scenario will be crucial.

### **Rating Sensitivity**

- Movement in collection efficiency and asset quality
- Movement in profitability parameters
- Changes in regulatory environment
- Continuous capital support from MTPL

### **Material Covenants**

ACAPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

### **Liquidity: Adequate**

ACAPL's liquidity profile as on March 31,2020 is well managed with positive cumulative mismatches across the buckets up to one year. The company had unencumbered cash and cash equivalents of ~Rs.17 Cr. as on September 30, 2020 (Provisional). ACAPL has estimated monthly collections of Rs. ~21Cr against which the company has estimated fixed obligations (debt obligations and operating expenses) of ~Rs.3 Cr. The collection efficiency (collections as against scheduled collections) has witnessed improvement from ~54% for April 2020 to ~84% for the month of August 2020. Further, the company had not availed moratorium from any of its lenders and met all its obligations. It is in talks with various lenders to raise debt.

### Outlook: Stable

Acuite believes that ACAPL will maintain 'Stable' outlook over the near to medium term on account of support from MTPL and healthy capital position. The outlook may be revised to 'Positive' in case ACAPL demonstrates significant and sustainable growth in its scale of operations while mitigating asset quality risks in portfolio. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of any sharp deterioration in asset quality and profitability levels.

### About the Rated Entity- Key Financials

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	106.73	62.37
Total Income*	Rs. Cr.	48.70	16.59
PAT	Rs. Cr.	0.84	0.24
Networth	Rs. Cr.	40.07	32.23
Return on Average Assets (RoAA)	(%)	1.00	0.63
Return on Average Net Worth (RoNW)	(%)	2.33	1.13
Total Debt/Tangible Net Worth (Gearing)	Times	0.91	0.46
Gross NPA	(%)	0.81	1.19
Net NPA	(%)	0.49	0.82

\* 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

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating of Non-Banking Financing Entities:- <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Not Applicable

### Annexure- Details of Instruments rated

ISIN	Name of Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
-	Proposed Bank Facility	-	-	-	25.00	BBB-/Stable (Assigned)

## Contacts

Analytical	Rating Desk
<p>Mohit Jain Senior Vice President- Rating Operations Tel: 022-49294029 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a></p> <p>Shrey Khandelwal Analyst - Rating Operations Tel: 022-49294072 <a href="mailto:shrey.khandelwal@acuite.in">shrey.khandelwal@acuite.in</a></p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022 - 49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,000 credit 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 Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.