

Press Release
SETIA AUTO FINANCE PRIVATE LIMITED
September 27, 2023
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Shareholder
Bank Loan Ratings	25.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has reaffirmed a long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.25.00 Cr. bank facilities of Setia Auto Finance Private Limited (SAFPL). The outlook is '**Stable**'.

The rating continues to factor in experienced management and healthy capitalization levels. SAFPL's CAR stood at 62.44 percent as on March 31, 2023. The rating also derives comfort from timely capital infusion from promoters on regular intervals, the company received a capital infusion of Rs 0.50 Cr. in March 31, 2023. The rating is, however, constrained due to modest scale of operations, moderate asset quality & financial performance, low seasoning of LAP portfolio and geographic concentration. Going forward, the ability of company to scale up its loan book, while maintaining asset quality and operating metrics will be key monitorables.

About the company

Incorporated in 1996, Setia Auto Finance Private Ltd (SAFPL) is a Rajasthan based NonDeposit taking Non- Banking Financial Company (ND-NBFC) promoted and managed by Mr. Ravi Kumar Setia and family. The company is engaged in used vehicles financing namely utility vehicles, commercial vehicles and tractors and Loans Against Property (LAP). Company operates through a network of 19 branches in Rajasthan as on June 30, 2023.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuite has adopted a standalone approach while assessing the business and financial risk profile of Setia Auto Finance Private Ltd.

Key Rating Drivers

Strength

Experienced management in micro-finance segment

Setia Auto Finance Private Ltd (SAFPL), a Non-Deposit accepting Non-Banking Financial Company, commenced its operations in 1996. Company was initially engaged in extending two-wheeler financing until 2003 when it discontinued the product and shifted towards used vehicles financing namely passenger vehicles, minibuses, commercial vehicles, tractors and have also commenced financing E-vehicle loans in FY2021 where the outstanding portfolio for this product increased from Rs 0.45 Cr(FY21) to Rs 9.49 Cr in June 2023. Further, company diversified its product mix by extending Loans Against Property (LAP) in 2017. SAFPL currently

operates in only Rajasthan and has network of 19 branches as on June 30, 2023. The operations of the company are managed by Mr. Ravi Setia (Founder) and his two sons, Robin Setia and Nitin Setia. Ravi Kumar Setia's brothers and their families independently operate four NBFCs having presence in the NBFC segment for over two decades. Mr. Ravi Setia has over two decades of experience in the vehicle financing segment and is supported by his two sons, Mr. Robin Setia, who is Executive Director and heading Vehicle financing business of the company and Mr. Nitin Setia who is Chief Operating Officer and heading LAP business. SAFPL has healthy capitalization levels which stood at 62.44 percent as on March 2023. The company's Asset Under Management (AUM) stood at Rs. 79.77 Cr. as on June 30, 2023 vis-à-vis Rs 49.39 Cr. as on March 31, 2022. Acuite believes that SAFPL will continue to be supported by management experience in vehicle financing.

Weakness

Moderate asset quality of vehicle financing portfolio; limited seasoning of LAP portfolio

SAFPL is engaged in used vehicle financing and LAP with used vehicle financing continuing to be a majority chunk (63% of the portfolio as on March 31, 2023), however the company plans on increasing its LAP portfolio in near future. Used vehicle financing comprises passenger vehicles, minibuses, commercial vehicles and tractors having average ticket size of Rs.0.04 Cr. and tenor ranging 2-4 years. The borrower profile mostly comprises selfemployed individuals whose serviceability of these loans is directly dependent on the level of economic activity in the region of their operations. SAFPL's asset quality remains moderate with its 90+ dpd (days past due) at Rs 2.12 Cr. (~3 % of AUM) as on March 31, 2023, albeit the asset quality improved from previous year where its 90+ dpd stood at Rs 2.40 Cr. (~4.85 % of AUM). On other hand, LAP business, which commenced in FY2017, has average ticket size is in the range of Rs.0.15 Cr. with tenor ranging 5-7 years. Contribution of LAP segment in overall portfolio increased to ~37 percent as on March 31, 2023 as compared to ~18 percent as on March 31, 2022. Acuite believes that the company's ability to contain additional slippages in vehicle financing while maintaining the asset quality of low seasoned LAP book will be crucial.

Modest Scale of Operations

SAFPL operations are limited to Rajasthan having presence across 17 districts through its network of 19 branches and tie ups with Direct Selling Agents (DSAs) and Co-Lending. Company is completely owned by promoters and family and had modest networth of Rs. 18.45 Cr. as on March 31, 2023 vis-à-vis Rs.17.04 Cr. as on March 31, 2022. The AUM stood at Rs 72.65 Cr. as on March 31, 2023 as compared to Rs 49.39 Cr. as on March 31, 2022. The increase in AUM was on account of higher disbursements which stood at Rs 55.71 Cr in FY23. Company's modest scale of operations is further marked by high operational costs resulting in subdued earnings profile as reflected in the PAT of Rs 0.91 crore in FY23. Acuite believes that company's ability to grow its scale of operations while improving operational efficiency will be crucial.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability parameters
- Changes in regulatory environment

All Covenants

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

Liquidity Position

Adequate

SAFPL has positive cumulative mismatch in 6 months to 1-year time bucket based on ALM

statement dated March 31, 2023. Company's liquidity buffers primarily depend on its cash inflows (collections from clients and loans from banks) vis. a vis. the cash outflows (disbursements, debt servicing commitments, operating expenses). Company's overall collection efficiency (including over dues) averaged at 62.2% for 6 month ended June 30, 2023. However current month collection efficiency averaged at ~ 90.20 percent for 6 month ended June 2023. The unencumbered cash and bank balance of Rs 0.30 crore as on March 2023. The company's ability to maintain a stable liquidity profile will hinge on its ability to improve its collection efficiency commensurate with its debt servicing obligation and other business requirements.

Outlook: Stable

Acuité believes that SAFPL's credit profile will be supported by experienced management. The outlook may be revised to 'Positive' in case SAFPL is able to significant scale up its operations while maintaining asset quality and demonstrate significant improvement in liquidity buffers through long term funding, i.e. either by way of debt or equity. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of headwinds faced in managing asset quality and significant reduction in liquidity buffers

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	60.19	44.25
Total Income*	Rs. Cr.	8.18	6.94
PAT	Rs. Cr.	0.91	0.86
Net Worth	Rs. Cr.	18.45	17.04
Return on Average Assets (RoAA)	(%)	1.75	1.72
Return on Average Net Worth (RoNW)	(%)	5.15	5.24
Total Debt/Tangible Net worth (Gearing)	Times	2.07	1.52
Gross NPA	(%)	1.50	2.24
Net NPA	(%)	1.13	1.59

**Total income equals to Net Interest Income*

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

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2022	Proposed Term Loan	Long Term	23.13	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.87	ACUITE BB Stable (Reaffirmed)
05 Apr 2021	Proposed Bank Facility	Long Term	25.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BB Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BB Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.13	ACUITE BB Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.87	ACUITE BB Stable Reaffirmed

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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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