



Press Release
INVENT ASSETS SECURITISATION AND RECONSTRUCTION PRIVATE LIMITED
September 29, 2023

Rating Downgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Downgraded Remove from Rating Watch	-
Bank Loan Ratings	100.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 100.00 Cr. bank loan facilities of Invent Asset Securitisation and Reconstruction Private Limited (IASRPL). The ratings are removed from 'under watch with developing implications'. The outlook is now '**Stable**'.

Acuite has withdrawn the long-term rating on the Rs. 100.00 Cr. proposed bank facilities of Invent Asset Securitisation and Reconstruction Private Limited (IASRPL). The withdrawal is on account of request received from client and in accordance with Acuite's policy on withdrawal of ratings.

Reason for removing Rating Watch with Developing Implications:

The rating was placed under watch with developing implications on account of the Income tax raids and special audit conducted by RBI on IASRPL. Accordingly, Acuite has discussed the issue with the management to ascertain the impact of the same on the company's overall business risk profile. As per management, post the search operations, there has been no seizure of any documents or assets. Further, as per notice dated June-23 from IT department, there has been no monetary demand.

Rationale for downgrade:

The rating has been downgraded due to stress in the earnings profile as a result of elevated credit costs. The company reported total operating income of Rs. 117.77 crore in FY2023 which improved from Rs. 82.18 crore in FY2022. However, due to delayed resolution of assets, the impairment cost remained high with Rs. 79.84 Cr. for FY2023 (P.Y: Rs. 27.18 Cr.) affecting the overall profitability. The PAT for FY2023 declined to Rs. 1.59 Cr. as against Rs. 6.07 Cr. for FY2022. Furthermore, the AUM saw a decline in FY2023 to 3,156 Cr. from 3,826 Cr. due to minimal acquisitions for the preceding year.

The rating, however, continues to take into account IASRPL's established position in the asset reconstruction industry, presence of institutional investors and their demonstrated support in the form of regular capital infusions. The company raised capital in the form of right issue and preference share capital in FY2023 which has improved the networth and capitalization levels. The networth and CRAR stood at Rs. 227.80 Cr. and 49.58 percent as on FY2023 as against Rs. 148.29 Cr. and 23.08 percent respectively as on FY2022. The rating also factors in the company's moderate recovery track record (Rs. 920 Cr. during FY2023, Rs. 411.12 Cr during FY2022 and Rs. 884.32 Cr during FY2021). Going forward, IASRPL's ability to maintain steady

growth in revenues while containing impairment costs through successful resolution of distressed assets will be key monitorables.

About the company

Incorporated in 2003, Invent Assets Securitisation and Reconstruction Company Private Limited (IASRCPL) is a Mumbai based ARC that commenced its operations in 2009 after receiving license from RBI in 2008. The ARC focuses on Small Medium Enterprises (SME) segment and follows sector agnostic approach with its exposure spread across varied industries including textile, Iron and Steel, Real Estate, Manufacturing, Automobiles, Hospitality, among others. IASRPL reported outstanding Security Receipts (SRs) of Rs. 3,156 Cr. as on March 31, 2023.

Analytical Approach

Acuité has adopted a standalone approach on IASRPL's business and financial risk profile for arriving at the rating.

Key Rating Drivers

Strength

Strong institutional investors along with domain expertise of key promoters

IASRPL is sponsored by West End Investment and Finance Consultancy Pvt Ltd. (WEIFCPL). IASRPL benefits from sponsor support in the form of capital infusion, both equity as well as debt. The ARC is promoted by leading professionals including Mr. G. N. Bajpai, former Chairperson of Securities and Exchange Board of India (SEBI) and also Life Insurance Corporation of India (LIC), Mr. M. N. Singh, IPS, former Commissioner of Police, Mumbai and Mr. Pankaj Gupta, a Chartered Accountant with vast experience in banking, insurance, merchant banking and financial services. Apart from the promoter directors, the board members of the company consists of eminent directors such as Mr. Raj Bharadwaj, former Chairman of Life Insurance Corporation, Mr. G. Gopalkrishna and Mr. Eugene Karthak, former executive directors of RBI with over three decades of experience with RBI. It has marquee investors like Canara Bank, Bank of India, Central Bank of India, and DBS Bank. The management team comprises of seasoned professionals in various domains such as acquisition, resolution, legal and compliance, monitoring, among others.

Acuité believes that IASRPL will continue to benefit from the domain expertise of the promoters and the ability of the promoters to attract diverse investors both as equity shareholder as well as QBs for their acquisitions.

Recovery track record

IASRPL commenced ARC business in 2009 and reported outstanding SRs of Rs. 3,156 Cr. as on March 31, 2023, Rs. 3,826 Cr. as on March 31, 2022. The ARC follows sector agnostic approach with its exposure spread across varied industries including textile, Iron and Steel, Real Estate, Manufacturing, Automobiles, Hospitality among others, with top 5 industries, namely Textile, Iron and Steel, Real Estate and Housing, Manufacturing and Chemical collectively accounting for 58% of overall SRs outstanding as on March 31, 2023. The ARC maintained moderate recovery track record (Rs. 920 Cr. during FY2023, Rs. 411.12 Cr during FY2022 and Rs. 884.32 Cr during FY2021).

Weakness

Volatile earnings profile

The earnings profile remained stressed as a result of elevated credit costs. The company reported total operating income of Rs. 117.77 crore in FY2023 which improved from Rs. 82.18 crore in FY2022. However, due to delayed resolution of assets, the impairment cost remained high with Rs. 79.84 Cr. for FY2023 (P.Y: Rs. 27.18 Cr.) affecting the overall profitability. The PAT for FY2023 declined to Rs. 1.59 Cr. as against Rs. 6.07 Cr. for FY2022.

Inherent challenges in the Asset reconstruction business

IASRPL 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. While 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.

Given the scale up of the operations of IASRPL in recent years, the sustainability of the recovery performance will be visible over the medium term, especially as NPA resolution is a long process and is linked to level of industrial and economic activity in the country, which will also have a bearing on earnings profile.

Rating Sensitivity

- Movement in capitalisation levels
- Delayed resolution of distressed assets impinging recoveries and thereby earnings profile
- Changes in regulatory environment governing ARCs

Liquidity Position

Adequate

Company reported cash and cash equivalents of Rs. ~57 Cr. as on March 31, 2023. The company's liquidity profile is adequate in medium term as the acquisitions are mainly funded through a mix of equity, QB funds and promoter funds with no large scheduled repayments in the near term. The cash flows of ARCs are generally uneven and a portion of revenues will depend on inflows from the resolution of SRs and upside revenues. Any challenges in ensuring steady revenue flow through timely resolution of the distressed assets will impact the liquidity buffers.

Outlook: Stable

Acuité believes that IASRPL will maintain a 'Stable' business risk profile over the medium term supported by experienced management team. The outlook may be revised to 'Positive' if the company demonstrates material and sustainable improvement in its earnings profile, capitalisation levels, growth in acquisition of distressed assets and its successful resolution. Conversely, the outlook may be revised to 'Negative' if there is persistent decline in capitalisation levels, acquisition of distressed assets due to lack of capital, or headwinds in the event of changes in the regulatory framework that might adversely affect the business.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	503.84	657.15
Total Income*	Rs. Cr.	97.04	49.41
PAT	Rs. Cr.	1.59	6.07
Net Worth	Rs. Cr.	227.80	148.29
Return on Average Assets (RoAA)	(%)	0.27	0.86
Return on Average Net Worth (RoNW)	(%)	0.98	4.18
Debt/Equity	Times	1.39	2.48
Gross NPA	(%)	NA	NA
Net NPA	(%)	NA	NA

*Total income equals to 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jul 2022	Secured Overdraft	Long Term	50.00	ACUITE BBB (Ratings Under Watch)
	Proposed Bank Facility	Long Term	150.00	ACUITE BBB (Ratings Under Watch)
07 Apr 2021	Secured Overdraft	Long Term	50.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	150.00	ACUITE BBB 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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	69.07	ACUITE BBB- Stable Downgraded Remove from Rating Watch
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	Not Applicable Withdrawn
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- Stable Downgraded Remove from Rating Watch
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.93	ACUITE BBB- Stable Downgraded Remove from Rating Watch

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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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