

Press Release

INVENT ASSETS SECURITISATION AND RECONSTRUCTION PRIVATE LIM December 27, 2024 Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Shc Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs. 100.00 Cr. bank loan facilities of Invent Assets Securitisation and Reconstruction Private Limited (IASRPL). The outlook is ‘**Stable**’.

Rationale for the rating

The rating reaffirmation takes into consideration the improvement in earning profile and adequate capitalisation level. The company reported a PAT of Rs 5.83 Cr. in FY24 as against Rs 1.59 Cr. in FY23. In H1FY25 the company reported a PAT of Rs 5.74 Cr. The impairment cost remained low with Rs 39.17 Cr. in FY24 as against Rs. 79.84 Cr. for FY2023 (P.Y: Rs. 27.18 Cr.) improving the overall profitability. The company has adequate capitalization level with CRAR of 61.67 percent in FY24 as compared to 49.58 percent in FY23.

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 rating also factors in the company’s moderate recovery track record (Rs. 558.16 Cr. during FY2024, Rs. 920.82 Cr. during FY2023 and Rs. 411.12 Cr. during FY2022). 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 Private Limited (IASRPL) 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. 2,937.42 Cr. as on March 31, 2024.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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.2,784.52 Cr. in H1FY25 as against Rs 2937.42 Cr. as on March 31, 2024 (Rs. 3,156.54 Cr. as on March 31, 2023). The ARC follows sector agnostic approach with its exposure spread across varied industries .The ARC maintained moderate recovery track record (Rs. 558.16 Cr. during FY2024, Rs. 920.82 Cr during FY2023 and Rs. 411.12 Cr during FY2022).

Weakness

Volatile earnings profile

The company reported a PAT of Rs 5.83 Cr. in FY24 as against Rs 1.59 Cr. in FY23. In H1FY25 the company reported a PAT of Rs 5.74 Cr. The impairment cost remained low with Rs 39.74 Cr. in FY2024 as against Rs. 79.84 Cr. for FY2023 (P.Y: Rs. 27.18 Cr.) improving the overall profitability.

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. 38.52 Cr. as on March 31, 2024. 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

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	415.82	503.84
Total Income*	Rs. Cr.	63.44	97.04
PAT	Rs. Cr.	5.83	1.59
Net Worth	Rs. Cr.	233.63	227.80
Return on Average Assets (RoAA)	(%)	1.27	0.27
Return on Average Net Worth (RoNW)	(%)	2.53	0.85
Debt/Equity	Times	0.54	0.87
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
29 Sep 2023	Secured Overdraft	Long Term	25.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB)
	Proposed Long Term Bank Facility	Long Term	69.07	ACUITE BBB- Stable (Downgraded from ACUITE BBB)
	Secured Overdraft	Long Term	5.93	ACUITE BBB- Stable (Downgraded from ACUITE BBB)
	Proposed Long Term Bank Facility	Long Term	100.00	ACUITE Not Applicable (Withdrawn)
01 Jul 2022	Secured Overdraft	Long Term	50.00	ACUITE BBB (Reaffirmed (Rating Watch with Developing Implications))
	Proposed Long Term Bank Facility	Long Term	150.00	ACUITE BBB (Reaffirmed (Rating Watch with Developing Implications))
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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	69.07	Simple	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.93	Simple	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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