



Press Release
APAC Financial Services Private Limited
July 26, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	225.00	ACUITE A+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	225.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE A**' (read as **ACUITE A**) to '**ACUITE A+**' (read as **ACUITE A Plus**) on Rs. 225.00 Cr. bank facilities of APAC Financial Services Private Limited (AFSPL). The outlook will remain '**Stable**'.

Rationale for the rating

The rating factors in the sustained increase in scale of operations with improvement in earning profile and the healthy capitalization levels in FY24. APAC's AUM grew ~ 51 % to Rs. 1591.59 Cr. as on March 31, 2024 from Rs. 1052.17 Cr. as on March 31, 2023. The earning profile also saw an improvement with PAT levels at Rs. 61.72 Cr. for FY 24 as compared to Rs. 23.97 Cr. for FY 23. The disbursement volume for APAC also saw an improvement while maintaining a healthier asset quality compared to FY23 with GNPA and NNPA levels at 0.81 % and 0.53 % as on March 31, 2024 respectively. The rating continues to factor in the experienced management team supported by presence of seasoned investors/funds. The rating continues to factor in comfortable gearing levels of APAC at 1.11 times as on March 31, 2024 as against 1.38 times as on March 31, 2023. Moreover the rating considers the healthy capitalization in FY24 where the firm infused Rs 396 Cr from quality sources such as Creador, Norwest Capital LLC. The rating further factors in the comfortable liquidity profile for the short term and the increase in the granularity of portfolio through a planned expansion of APAC branches within the chosen geographies. The rating, however, continues to be constrained by limited track record in building and managing a retail portfolio. Given that the portfolio has grown by ~51% in FY24, the majority portfolio has limited seasoning and the performance has to be monitored. Acuite believes that the ability to deploy the funds across various asset classes while maintaining an optimal risk return trade-off will remain key monitorable.

About the company

APAC Financial Services Private Limited (APAC) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It predominantly provides secured granular loans to micro and small enterprises. The company received its certificate of registration as a non-deposit taking NBFC from the RBI on February 21, 2018. APAC had a wholly-owned subsidiary –APAC Housing Finance Private Limited (APAC HFPL), which was registered as a housing finance company (HFC) in May 2018 with National Housing Bank (NHB). However, the HFC was merged into the parent, w.e.f. January 29, 2024, post receipt of requisite regulatory approvals, including final approval from the National Company Law Tribunal (NCLT), Mumbai Bench, vide the order dated January 11, 2024. The company is engaged in extending credit to Micro Small and Medium Enterprises (MSMEs). The Group has a branch network of 122 branches spread across 7 states.

Unsupported Rating
Not Applicable

Analytical Approach

Acuite has considered a standalone approach to the business and the financial profile of APAC Financial Services Pvt. Ltd. to arrive at the rating

Key Rating Drivers

Strength

Seasoned Management Team supported by reputed investors:

APAC commenced its operation in FY2018. Mr. Gunit Chadha, the founder promoter, held 42.46% of the stake in AFSPL. Multiples Private Equity Fund & Plenty Private Equity Fund collectively hold 29.76% in AFSPL and the balance equity is reputed investors such as Norwest Capital LL and Creador who both own 9.67%. AFSPL currently has its board of directors comprising of Mr. Gunit Chadha who has occupied top positions such as CEO of Deutsche Bank (Asia Pacific region) and CEO of IDBI Bank. The other members of the board include Mr. Shankar Dey, a seasoned banking and finance professional with over four decades experience in BFSI sector. The board also has Ms. Nithya Easwaran, who has over two decades experience in financial services and is also the Managing Director of Multiples Alternate Asset Management Company Limited (Multiples). The board also have Mr. Sanjay Maliah, Mr. Sanjay Athalye, Mr. Neeraj Bhai and Mr Robin Agarwal, all having more than two decades of experience in BFSI and other industries. Besides the Board members the firm also relies on the expertise of seasoned professionals such as Ms. Varsha Purandare & Mr. Arijit Chanda who are the independent members of the credit committee. Ms. Varsha has over three decades experience in banking and has occupied senior positions including ex-Chief Credit & Risk Officer, SBI group in her career. Mr. Arijit has 29 years of financial services experience, including in start-ups, in risk, credit and collections across Citi Group, Fullerton etc.

Comfortable Capitalization Profile and improved profitability metrics:

APAC's gearing levels are low at 1.11 times as on March 31, 2024 (1.38 times as on March 31, 2023) since the operations are largely funded by equity. The CAR on levels stood at 40.89%. The networth stood at Rs. 948.73 Cr. as on March 31, 2024 (Rs. 488.53 Cr. as on March 31, 2023), while the debt stood at Rs. 1056.23 Cr. as on March 31, 2024 (Rs. 674.60 Cr. as on March 31, 2023).. The PAT for FY23 stood at Rs. 23.97 Cr which grew to Rs. 61.72 Cr. in FY24. The RoAA and NIM on the level stood at 3.84% and 12.49% respectively as against 2.62% and 14.16% for FY23. Acuité believes that APAC Group will continue to benefit from its experienced management and continued support from its investors. Moreover capital has been infused from quality sources such as Creador and Norwest Capital LLC which has given the firm further flexibility to operate their disbursements. AFSPL focuses on business loan segment which extends credit to MSMEs, which are secured in nature. Moreover the asset quality is healthy and the portfolio is granular.

Weakness

Limited seasoning of the new portfolio and risk inherent to MSME Sector:

The portfolio grew by ~51% Y-o-Y and healthy disbursements were done in FY2024. The APAC's AUM stood at Rs. 1591.59 Cr. as on March 31, 2024. The majority portfolio has less seasoning and the performance of the new portfolio created has to be monitored. APAC is fairly diversified with major focus towards the MSME segment. Occurrence of events such as slowdown in economic activity or shifting of activity to other geographies could impact the cash flows of the borrowers, thereby impacting credit profile of APAC. Acuité believes that the company's ability to maintain its asset quality given the low seasoned loan book and increased presence in the newer geographies will remain a key rating monitorables.

ESG Factors Relevant for Rating

APAC has significant Institutional ownership with policies and processes in place to ensure transparent, fair & ethical conduct with its Customers and other stakeholders. Empowerment, Innovation & Excellence, Governance, Respect & Integrity and Collaboration are part of

APAC's core values. APAC has two independent directors in our Board & constituted board committees such as Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, IT Strategy Committee and CSR Committee to ensure high governance standards. Also, APAC's credit committee has two independent members with more than two decades of experience across financial services.

Rating Sensitivity

- Sustaining Scale up in business operations
- Maintaining granularity in the portfolio
- Changes in Asset quality
- Maintenance of adequate Liquidity

Liquidity Position

Adequate

The firm liquidity stood at Rs. 140.40 Cr. as on March'23 with debt obligations for next six months at Rs. 106.44 Cr. as per ALM statement dated March 31, 2023. Portfolio of Rs. 68.75 Cr is due for collection in the same period. There is a mismatch in the 1 to 3 year bucket of the ALM statement, but Acuite believes that this gap would be met through further capital infusion or through other borrowing. Acuite notes that during FY23, APAC more than doubled its Lender base with existing lenders regularly enhancing their sanction limits and tenor.

Outlook: Stable

Acuite believes that APAC Financial services Pvt. Ltd.'s credit profile will have a 'Stable' outlook in the near to medium term, as it draws support from its experienced management and will be able to continue the growth momentum. The outlook could be revised to 'Positive' if the company is able to sustain the growth in AUM while improving the capital structure and maintaining asset quality and profitability metrics at healthy levels. The outlook may be revised to 'Negative' in case of significant deterioration in asset quality/ profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	2036.46	1180.15
Total Income*	Rs. Cr.	205.07	136.74
PAT	Rs. Cr.	61.72	23.97
Net Worth	Rs. Cr.	948.73	488.53
Return on Average Assets (RoAA)	(%)	3.84	2.62
Return on Average Net Worth (RoNW)	(%)	8.59	5.06
Total Debt/ Net worth (Gearing)	Times	1.11	1.38
Gross	(%)	0.81	1.25

NPA			
Net NPA	(%)	0.53	0.94

*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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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. Acuité'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
05 Jul 2023	Term Loan	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	70.00	ACUITE A Stable (Reaffirmed)
	Proposed Term Loan	Long Term	100.00	ACUITE A Stable (Assigned)
16 Sep 2022	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	75.00	ACUITE A Stable (Assigned)
13 Jul 2022	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	20.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	25.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
28 Jan 2022	Proposed Long Term Bank Facility	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
29 Jul 2021	Proposed Long Term Bank Facility	Long Term	50.00	ACUITE A- 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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.15	ACUITE A+ Stable Upgraded (from ACUITE A)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A+ Stable Upgraded (from ACUITE A)
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.85	ACUITE A+ Stable Upgraded (from ACUITE A)
Canara Bank	Not avl. / Not appl.	Term Loan	21 Sep 2023	Not avl. / Not appl.	21 Sep 2028	Simple	25.00	ACUITE A+ Stable Upgraded (from ACUITE A)
Bank of Baroda	Not avl. / Not appl.	Term Loan	23 Oct 2023	Not avl. / Not appl.	23 Oct 2027	Simple	50.00	ACUITE A+ Stable Upgraded (from ACUITE A)
STCI Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Mar 2027	Simple	20.00	ACUITE A+ Stable Upgraded (from ACUITE A)
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2026	Simple	14.00	ACUITE A+ Stable Upgraded (from ACUITE A)
Small Industries Development	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Dec 2025	Simple	46.00	ACUITE A+ Stable Upgraded

Bank of India	appl.			appl.				(from ACUITE A)
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	31 Jul 2023	Not avl. / Not appl.	31 Jul 2027	Simple	35.00	ACUITE A+ Stable Upgraded (from ACUITE A)

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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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