



Press Release
APAC FINANCIAL SERVICES PRIVATE LIMITED
January 20, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	225.00	ACUITE A+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	375.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuite has assigned the long-term rating of '**ACUITE A+**' (read as **ACUITE A Plus**) on Rs. 150.00 Cr. bank facilities of APAC Financial Services Private Limited (APAC). The outlook will remain '**Stable**'.

Rationale for the rating

The rating action continues to factor in the sustained increase in scale of operations with improvement in earning profile and the healthy capitalization levels in FY24 and H1FY25. 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 AUM stands at Rs. 1831.21 Cr. as on September 30, 2024. 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 company further reported a PAT of Rs. 52.28 Cr. during H1FY25. The disbursal 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 GNPA and NNPA levels as on September 30, 2024 stood at 0.96% and 0.58% 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 400 Cr. from quality institutional investors such as Rajamahendra Chola Limited, Norwest Capital LLC. The rating further factors in the comfortable liquidity profile for the medium 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 of the company to deploy the funds across various asset classes while maintaining an optimal risk return trade-off will remain key monitorable.

About the Company

Mumbai based, APAC started business operations in 2018 with the vision of servicing the financial needs of underbanked and underserved micro & small enterprises, self-employed and salaried in semi-urban and rural areas in Bharat. The Company's business model is built on strong ESG principles with balance amongst its core mantras of G.Q.P. (Growth, Quality & Profitability). The Company's loan portfolio comprises primarily of term loans, secured by property.

APAC primarily serves borrowers who typically have limited access to banks or large financial institutions. The Company employs 2000+ people across 200+ branches in 6 states, and sources customers via an in-house sales team, which is additionally powered by the Company's proprietary origination & underwriting technology platform "Alpha." This feet-on-street business model helps APAC build strong relationships with customers, understand each customer's unique financial needs as well enables on ground verification of the collateral; while technology helps to improve efficiency and customer TATs. On ground presence of Company's employees across each of its 200+ branches for loan origination and collection also strengthens Company's fair practice w.r.t. its customers.

APAC's loans are primarily secured against property with an average ticket size of 5-6 lakhs.

APAC conducts thorough underwriting based on the borrower's assessed income, credit history, business vintage,

collateral value and reference checks, among other aspects. The Company is deepening its use of technology and alternate data to improve the quality of its credit approval processes. Credit underwriting is as per board approved credit risk policy and related policies & programs.

APAC has strong risk management systems, processes, policies and reviews, with a high degree of independent oversight. Senior management has deep domain expertise and experience (semi-urban/rural and MSMEs) across business cycles. The risk team is further supported by the fraud control unit (FCU), to build a robust credit platform. By focusing on these aspects as being core to its business model, APAC effectively serves its customer target market with a strong product-market fit, maintains strong financial health (G.Q.P.), and contributes to the broader financial inclusion in India.

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. As on March 31, 2024, Mr. Gunit Chadha, the founder promoter, held 42.46% of the stake in AFSPL. Multiples Private Equity Fund & Plenty Private Equity Fund collectively hold 32.78% in AFSPL and investors such as Norwest Capital LLC and Rajamahendra Chola Limited both own 9.67% each as on September 30, 2024. 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 all having more than two decades of experience in BFSI and other industries and Mr Robin Agarwal having over a decade of experience across Private Equity and Consulting. 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% as on March 31, 2024. 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 and further reported a PAT of Rs. 52.28 Cr. during H1FY25. The RoAA and NIM on the level stood at 3.84% and 12.49% respectively as against 2.62% and 14.16% for FY23. Acuite believes that APAC will continue to benefit from its experienced management and continued support from its investors. Moreover capital has been infused from quality sources such as Rajamahendra Chola Limited and Norwest Capital LLC which has given the firm further flexibility to operate their disbursements. AFSPL focuses on business loan segment which extend credit to micro & small enterprises, self-employed and salaried in semi-urban and rural areas 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 of Rs 800.94 Cr. were done in FY2024. APAC's AUM stands at Rs. 1,831.21 Cr. as on September 30, 2024 as compared to Rs. 1,591.59 Cr. as on March 31, 2024. The portfolio has less seasoning and the performance of the new portfolio created has to be monitored. APAC is fairly diversified with presence in 6 states with major focuses on business loan segment which extend credit to micro & small enterprises, self-employed and salaried in semi-urban and rural areas which are secured in nature. 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 its 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

APAC's liquidity profile remains adequate with positive cumulative mismatches in all the buckets as on September 30, 2024. The company had borrowings outstanding of Rs. 1,056.23 crore as on March 31, 2024. It had an unencumbered cash and bank balance of Rs. 105.80 crore and liquid investments of Rs. 303.4 crore as on that date, augmented by the capital infusion in March 2024. Further, APAC had undrawn working capital limits of Rs. 37 crore as on March 31, 2024 with cumulative debt repayment obligations of Rs. 382.2 crore for the next one year. The on-balance sheet liquidity and inflows from the loan book are adequate to meet the repayment obligations for the next one year. The monthly collection efficiency from the portfolio provides additional comfort. APAC had ~21 lender relationships as on March 31, 2024 as compared to ~15 as on March 31, 2023. Furthermore, the company has ~23 lender relationships as on December 31, 2024. The company received enhancements (in limits and tenor) from existing lenders.

Outlook:

Stable

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/Networth (Gearing)	Times	1.11	1.38
Gross NPA	(%)	0.81	1.25
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. 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
26 Jul 2024	Term Loan	Long Term	46.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	35.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Proposed Long Term Loan	Long Term	30.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	25.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	50.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Proposed Long Term Bank Facility	Long Term	4.15	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Secured Overdraft	Long Term	0.85	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	14.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
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)

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.	23.15	Simple	ACUITE A+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	110.00	Simple	ACUITE A+ Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.85	Simple	ACUITE A+ Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jan 2026	14.00	Simple	ACUITE A+ Stable Reaffirmed
STCI Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Mar 2027	15.00	Simple	ACUITE A+ Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 May 2026	9.00	Simple	ACUITE A+ Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Dec 2025	15.00	Simple	ACUITE A+ Stable Reaffirmed
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	31 Jul 2023	Not avl. / Not appl.	31 Aug 2027	28.00	Simple	ACUITE A+ Stable Reaffirmed
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	06 Aug 2024	Not avl. / Not appl.	30 Sep 2029	45.00	Simple	ACUITE A+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	21 Sep 2023	Not avl. / Not appl.	30 Sep 2028	25.00	Simple	ACUITE A+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	23 Oct 2023	Not avl. / Not appl.	31 Oct 2027	50.00	Simple	ACUITE A+ Stable Reaffirmed
Bandhan Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Dec 2029	40.00	Simple	ACUITE A+ Stable Assigned

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