



Press Release
Embaby General Finance India Private Limited
November 29, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 30.00 crore bank facilities of Embaby General Finance India Private Limited (EGFL). The outlook is '**Stable**'. The company has migrated from an issuer not cooperating tag to regular.

Rationale for the rating

The rating takes into account the healthy asset quality, marked by an on time portfolio at 98.67 percent as of March 31, 2024 and comfortable capitalisation levels. CRAR stood at 33.21 percent (Tier 1: 31.36 percent) as on March 31, 2024 and gearing levels stood steady at 1.86 times as of March 31, 2024. The rating further takes into consideration steady profitability metrics supported by growth in disbursements. The company reported an increase in disbursements to Rs 152.06 Cr. as on March 31, 2024 from Rs 148.25 Cr. as on March 31, 2023. The rating further draws comfort from adequate risk management practises adopted by the company in order to mitigate risks and limit losses.

The rating is, however, constrained by geographical concentration, modest scale of operations, limited financial flexibility, and the highly competitive business of lending against gold. Going forward, the company's ability to raise capital, profitably scale-up its loan portfolio, and maintain asset quality will be key monitorables.

About the Company

Embaby General Finance India Private Limited (EGFL) a Non-Banking Financial Company (NBFC) incorporated in November 2008 and based out of Kattappana, in the Idukki district of Kerala, mainly operates by providing loans against collateral of gold jewellery primarily to individuals having limited or no access to formal credit to meet their short term personal requirements. The promoter, Mr. E.M. Baby, has been operating in this business since 1966. Over the years, the company has expanded its presence across two districts (i.e., Idukki and Kottayam) with branch base of 23 as on March 31, 2024. The operations will remain confined to the state of Kerala over the medium term. Apart from loans against gold jewellery, it also provides money transfer facilities in India, foreign inward money transfer services, encashment of foreign currencies, etc. EGFL is the flagship company of the E.M. Baby Group, which also operates in hospitality, trade distribution, finance, industry, money exchange, and general insurance.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of EGFL to arrive at the rating.

Key Rating Drivers

Strength

Experienced promoters

EGFL, a Kerala based NBFC was promoted by Mr. Edavanamadathil Mathai Baby (Chairman). Currently, the operations are managed by Mr. Rajesh Baby (Managing Director & CEO), who has more than two decades of experience in gold business & financing, and a decade of experience in wholesale business. Given the group's long

track record of operations, they have established a presence in other businesses. The late Mr. Edavanamadathil Mathai Baby, held 37.01 percent of shares as of December 31, 2021 with the remaining stake being held by other family members of Mr. E.M. Baby. Presently, Lizamma Baby holds 37.00 percent of shares as of March 31, 2024. Mrs. Lizamma Baby (Director) and Mr. Ramesh Baby (Executive Director) have extensive experience of over four decades and two decades, respectively, in gold business and financing. Promoters have also inducted experienced professionals with experience in the banking and retail segments.

Acuité believes that EGFL will continue to benefit from the established presence and experience of the promoters in the gold loan segment.

Healthy Asset Quality

EGFL's loan portfolio stood at Rs. 52.72 Cr. as on March 31, 2024 as compared to Rs. 47.10 Cr. in FY2023 with an average tenure of 12 months. Asset quality has remained healthy, as evidenced by the on time portfolio at 98.67 percent for FY2024. On time dpd profile has remained in the range of 95 - 99 percent since FY2019 till YTD. Gross NPA stood at 0.34 percent (NNPA: - 0.32 percent) as of March 31, 2024 as against 2.08 percent (NNPA: - 1.76 percent) as of March 31, 2023. The company has adequate risk management systems and mechanisms in place with respect to the assessment and storage of gold ornaments. The company has an audit team that undertakes branch audits and surprise verifications of the pledged gold jewellery.

Going forward, Acuité believes that stringent risk management policies provide comfort and are expected to keep asset quality under control, however, risk arising from adverse gold prices would be critical.

Modest profitability metrics:

The company's profitability metrics have seen a steady trend on account of stable growth in disbursements. The company reported disbursements of Rs 152.06 Cr. for the year FY 2024 as against Rs 148.25 Cr. during FY 2023. The company has reported Net Interest Income of Rs 5.83 Cr. for FY2024 and Rs 6.08 Cr. during FY 2023. This has resulted in PAT of Rs 1.03 Cr. for FY2024 and Rs 1.29 Cr. during FY 2023. The slight decline in the PAT is on account of branch expenses and overhead costs during FY2024. Consequently, ROAA stood at 1.72 percent (annualised) as on March 31, 2024 and 2.14 percent as on March 31, 2023.

Weakness

Small scale of operations with high geographical concentration

The average tenure of all gold loans disbursed by the company is 12 months. The rate of interest is dependent on the tenure of the loan. The company's AUM stood at Rs 52.82 Cr. as on March 31, 2024 and Rs 47.04 Cr. as on March 31, 2023. The company reported disbursements of Rs 152.06 Cr. for FY2024 and Rs 148.25 Cr. during FY 2023. It has presence across 2 districts in Kerala (i.e. Idukki and Kottayam) with branch base of 23 as on March 31, 2024. 94.55 percent of the branch concentration is in the Idukki district. EGFL is a small sized but a stable growing player in the lending against gold jewellery. The operations will remain confined to the state of Kerala over the medium term.

Going forward, Acuité believes that geographical concentration will continue to weigh on the company's credit profile.

Limited financial flexibility

The capital structure of EGFL is supported by a net worth of Rs. 21.01 Cr, Total Debt of Rs. 39.17 Cr. and resultant gearing of 1.86 times as on March 31, 2024. EGFL has a modest resource profile with a relationship with only two banks. The other funding source includes privately placed debentures, placed with close friends and relatives, and remains largely dependent on promoters for funding requirements. Acuite believes that the ability of the company to mobilise additional funding through debt/equity will be critical.

Rating Sensitivity

- Ability to raise capital
- Profitable scaling up in operations
- Movement in liquidity buffers
- Movement in profitability metric
- Changes in the regulatory environment

Liquidity Position

Adequate

EGFL's overall liquidity profile remains adequate, with no negative cumulative mismatches in near to medium term as per the ALM dated March 31, 2024. The company has Rs. 1.48 Cr. of encumbered cash and cash equivalents as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs Cr.	62.92	56.67
Total Income*	Rs Cr.	6.20	6.26
PAT	Rs Cr.	1.03	1.29
Networth	Rs Cr.	21.01	19.99
Return on Average Assets (ROAA)	(%)	1.72	2.14
Return on Net Worth (RoNW)	(%)	5.02	6.67
Total Debt/Tangible Net Worth (Gearing)	Times	1.86	1.70
Gross NPA's	(%)	0.34	2.08
Net NPA's	(%)	0.32	1.76

**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>
- 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
26 Aug 2024	Cash Credit	Long Term	11.60	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	4.71	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.66	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	1.37	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.06	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.06	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.11	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.57	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.63	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.63	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	1.49	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	0.33	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	7.78	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
29 May 2023	Cash Credit	Long Term	11.60	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	4.71	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.66	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.37	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.06	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.06	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.11	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.57	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.63	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.63	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.49	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.33	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.78	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	11.75	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	7.07	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.97	ACUITE BBB- Stable (Assigned)

07 Mar 2022	Working Capital Demand Loan (WCDL)	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.46	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.69	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.69	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.74	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	1.14	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	1.26	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	1.26	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.52	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.45	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
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.32	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
South Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.82	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.50	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Term Loan	27 Feb 2024	Not avl. / Not appl.	15 Feb 2028	0.43	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.43	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.69	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.37	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.17	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.06	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.11	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.11	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.21	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.29	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.49	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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