

Press Release

Aarsh Fincon Limited (Erstwhile Akme Fincon Limited)

November 03, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.50.00 Cr. bank facilities of AARSH FINCON LIMITED (ERSTWHILE AKME FINCON LIMITED) . The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation is primarily driven by experienced management, established presence in its areas of operation and adequate capitalization level. AFL's Capital Adequacy Ratio (CAR) stood at 48.14 percent as on March 31, 2022, which improved from 42.69 percent as on March 31, 2021, the improvement is mainly on account of capital infusion. The promoters infused capital of Rs 1.20 Cr. during FY2022 and Rs 2.52 Crs during FY2023. The rating also takes into account rebound in collection efficiency levels with average collection efficiency for 6 months ended September 30, 2022 stood at ~95.69 percent.

The rating is, however, constrained by modest scale of operations coupled with modest financial performance and geographic concentration . The company reported an AUM Rs 65.42 Crs as on March 31,2022 (Rs 65.39 Crs as on March 31,2021). The company's PAT stood at Rs 3.56 Crs as on March 31,2022 compared to Rs 3.60 Crs as on March 31, 2021. The company's on time portfolio stood at 89.79 percent [March 31, 2021: 93 percent] with a GNPA of 2.39 percent as of March 31, 2022. AFL's portfolio is exposed to high geographical concentration risk, as 94.91 per cent of the total portfolio is concentrated in only state of Rajasthan.

About the company

Udaipur based; AARSH Fincon Limited(ERSTWHILE AKME FINCON LIMITED) was incorporated in 1996 as a non-deposit taking non-banking finance company (NBFC). The company is engaged in financing of two wheelers, three/four wheelers, commercial vehicles and loan against property (LAP) towards SME borrower base. AFL is promoted and managed by Mr. Anil Kumar Jain. The company presently operates through a network of 47 branches spread across Rajasthan, Madhya Pradesh, Maharashtra Orissa and Gujarat.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AARSH FINCON LIMITED to arrive at the rating.

Key Rating Drivers

Strength

Experienced Management:-

AARSH FINCON LIMITED (AFL), a Non-Deposit accepting Non-Banking Financial Company, commenced its operations in 1996. The operations of the company are managed by Mr. Anil Kumar Jain (Managing Director). He has over two decades of experience in non-banking and financial services. Mrs Shilpa Jain (Executive Director) and Mrs Vimal Jain (Executive Director) actively manage and improvise the day to day operations of the company. Mr Praveen Kumar (Additional Director) is responsible for corporate administration & relationship management. Further, AFL has long track record of operations in the vehicle financing segment. The company's AUM stood at Rs 65.42 Crs as on March 31, 2022 and Rs 65.39 Crs as on March 31, 2021. The company's disbursements stood at Rs.28.22 Cr. in FY2022 as against Rs.27.74 Cr. in FY2021. AFL's portfolio comprises of vehicle financing ~68.89 percent and LAP of 31.11 percent as on March 31, 2022.

Acuité believes that AFL will continue to benefit from its established presence in the financial services industry along with the experienced promoters.

Healthy Capitalization levels:

The company's AUM stood at Rs 65.42 Crs as on March 31, 2022 and Rs 65.39 Crs as on March 31, 2021. The networth stood at Rs 28.04 Crs as on March 31, 2022 as against Rs 24.04 Crs as on March 31, 2021. AFL's Capital Adequacy Ratio (CAR) stood at 48.14 percent as on March 31, 2022, which improved from 42.69 percent as on March 31, 2021, the improvement is mainly on account of capital infusion. The Promoters infused Rs 1.20 Cr during FY2022 and Rs 2.52 Crs during FY2023.

Acuité believes that AFL will benefit from continued support of Management going forward.

Weakness

Moderate asset quality and financial performance

AFL's asset quality has been moderate marked by on-time portfolio of 89.79 percent as on March 31, 2022 from 93 percent as on March 31, 2021. GNPA and NNPA levels stood at 2.37 percent and 2.01 percent as on March 31, 2022 as against 2.31 percent and 1.97 percent as on March 31, 2021. The business has faced some headwinds in terms of reduced collection efficiency during second cycle of covid-19 which led to increase in delinquencies and reduced funding support from lenders. AFL registered operating income of Rs. 8.93 Cr. in FY2022 as against Rs. 7.69 Cr. in FY2021. NIM and ROAA have improved marginally to 13.40 per cent and 4.87 per cent for FY2022 as compared to 10.94 per cent and 4.84 per cent for FY2021, respectively. However, PAT has reduced marginally to Rs 3.56 Crs as on March 31, 2022 compared to Rs 3.60 Crs as on March 31, 2021.

Acuité believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

Modest scale of operations coupled with geographic concentration risk

The company has modest scale of operations with an outstanding loan portfolio of Rs. 65.42 Cr as on March 31, 2022, as compared to Rs 65.39 Cr. as on March 31, 2021. AFL's portfolio is exposed to high geographical concentration risk, as 94.91 per cent of the total portfolio is concentrated in only state of Rajasthan. However, AFL has expanded to Gujarat, Maharashtra, Madhya Pradesh, and Orissa to minimize the geographic concentration risk. The company has plans for branch expansion in New Delhi. Generally, the risk profile of NBFCs with a geographically diversified portfolio is more resilient compared to that of entity with a geographically concentrated portfolio.

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile over the near to medium term.

Rating Sensitivity

- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability parameters
- Changes in regulatory environment

Material Covenants

None

Liquidity Position

Adequate

AFL's ALM statement as on Mar 31, 2022 shows positive cumulative mismatch in all the buckets and its liquidity position is adequate marked by monthly collections efficiency of approximately 97%. AFL has Rs.32.02 Cr of borrowings (including CC facility of Rs.28 Cr) mature within one year and Rs 33.97 Cr of principal collections come due within one year, which seems to be a managed liquidity situation. Further, AFL has already received fresh sanctions of Rs.20 Cr. . Acuité believes that the ability of the company to raise long term funding and improve collections will be critical to maintaining liquidity profile at adequate levels.

Outlook: Stable

Acuité believes that AFL will benefit from its experienced promoters in the near to medium term. The outlook may be revised to 'Positive' in case of higher than expected growth in loan book, equity infusion, improvement in key operating metrics and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality and profitability metrics or any deterioration in liquidity position.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (actual)	FY21 (actual)
Total Assets	Rs Cr	73.89	72.42
Total Income	RS Cr	8.93	7.69
PAT	Rs Cr	3.56	3.60
Networth	Rs Cr	34.91	30.15
ROAA	%	4.87	4.84
Return on Average Networth (RONW)	%	10.96	12.84
Total Debt/Tangible Net worth	Times	1.07	1.34
Gross NPA	%	2.39%	2.28%
Net NPA	%	2.03%	1.94%

Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

None

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, Acuite 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
05 Aug 2021	Term Loan	Long Term	0.63	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.44	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.75	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.63	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.39	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.52	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.83	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.39	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.91	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.09	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.39	ACUITE BBB- (Issuer not co-operating*)
	Cash Credit	Long Term	25.00	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	2.73	ACUITE BBB- (Issuer not co-operating*)
	Cash Credit	Long Term	3.00	ACUITE BBB- (Issuer not co-operating*)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	0.83	ACUITE BBB- (Issuer not co-operating*)

23 Jun 2021	Term Loan	Long Term	4.44	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	1.39	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	3.78	ACUITE BBB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	3.52	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	1.39	ACUITE BBB- (Issuer not co-operating*)
		Long		ACUITE BBB- (Issuer not co-operating*)
25 Jun 2020	Term Loan	Term	0.75	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.75	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	1.39	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.82	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	1.39	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	1.78	ACUITE BBB- Negative (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	4.44	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	3.52	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE BBB- Negative (Assigned)
	Term Loan	Long Term	1.39	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	2.73	ACUITE BBB- Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE BBB- Negative (Assigned)
	Term Loan	Long Term	0.83	ACUITE BBB- Negative (Reaffirmed)
20 Nov	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.81	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	1.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.56	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.81	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.22	ACUITE BBB- Stable (Reaffirmed)

2019	Term Loan	Long Term	1.67	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.82	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.11	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
21 Nov 2018	Proposed Bank Facility	Long Term	1.64	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.72	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.70	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.03	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.44	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.47	ACUITE BBB- Stable (Assigned)
16 Jan 2018	Cash Credit	Long Term	21.00	ACUITE BB+ (Issuer not co-operating*)
14 Sep 2016	Cash Credit	Long Term	21.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.58	ACUITE BBB- Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.49	ACUITE BBB- Stable Reaffirmed
Ashv Finance (formally known as Intellegrow)	Not Applicable	Term Loan	Not available	Not available	Not available	0.47	ACUITE BBB- Stable Reaffirmed
MAS Financials Services Limited	Not Applicable	Term Loan	Not available	Not available	Not available	0.17	ACUITE BBB- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.72	ACUITE BBB- Stable Reaffirmed
Shriram Transport Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	3.72	ACUITE BBB- Stable Reaffirmed
Moneywise Financial Services Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.48	ACUITE BBB- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.97	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE BBB- Stable Reaffirmed
National Bank for Agriculture and Rural Development (NABARD)	Not Applicable	Term Loan	Not available	Not available	Not available	0.90	ACUITE BBB- Stable Reaffirmed

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