



Press Release
Gilada Finance & Investents Limited
July 26, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	5.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double B**) on Rs. 5.00 crore bank facilities of Gilada Finance and Investment Limited. The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned reflects the long track record of operation and experienced management of the company. The rating also draws comfort from the healthy capitalisation levels and improvement in the GNPA levels of the company. The GNPA of the company has improved continually at 2.96 percent as on March 31, 2023 as against 9.14 percent as against March 31, 2022 and 13.53 percent as on March 31, 2021. The rating however remains constrained by modest scale of operations of and geographical concentration in the state of Karnataka. Going forward, the ability of company to scale up its loan book, while maintaining asset quality and operating metrics will be key monitorable.

About the company

Incorporated in 1993, Gilada Finance and Investments Limited (GFIL) is an NBFC engaged in the business of lending and primarily deals in vehicle financing, small business loans and mortgage loans. The company is currently promoted by Mr. Rajgopal Gilada as the Managing Director. The company is based out of Karnataka where it operates 4 branches.

Analytical Approach

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

Key Rating Drivers

Strength

Experienced management and long track record of operations

Incorporated in 1983, Gilada Finance and Investment Limited (GFIL) is a Non-Deposit accepting Non-Banking Financial Company. The company is primarily engaged in vehicle financing, small business loans and mortgage loans. GFIL currently operates only in Karnataka and has network of 4 branches as on March 31, 2023. The company is managed by Mr. Rajgopal Gilada who is ably backed by senior management team of GFIL consisting of experienced professionals who have been in the lending business and have been associated

with GFIL since inception.

Acuité believes that the company's growth prospects will be supported by the

management's experience in the industry.

Healthy capitalisation levels

The capital structure of the company is supported by a networth of Rs. 20.29 crore as on March 31, 2023 and total debt of Rs. 6.57 crore which translates in gearing of 0.32 times. The capitalization levels of GFIL majorly comprises Tier I capital, where CRAR stood comfortable at 76.60 percent (Tier I: 67.40 percent) as on March 31, 2023. The same stood at 84.50 percent (Tier I: 72.80 percent) as on March 31, 2022. As per the management the company is likely to raise debt in the near to medium term to aid their growth momentum.

Acuite believes that the ability of the company to raise further resources will be a key monitorable.

Weakness

Modest scale of operations and moderate asset quality

The AUM of the company is modest however has seen a steady growth of 6.66 percent over the last three years through FY23. The AUM of the company stood at Rs. 19.40 crore as on March 31, 2023 as against Rs. 17.74 crore as on March 31, 2022. The disbursements of the company also improved at Rs. 13.45 crore for FY23 as against Rs. 8.13 crore for FY22.

The asset quality of the company is moderate reflected by low collection efficiency. The collection efficiency of the company has remained low with average monthly collection efficiency at 78 percent and overall collection efficiency at 75 percent for 10 months ended March 2023. While the collection efficiency of the company has remained low, the GNPA of the has improved continually at 2.96 percent as on March 31, 2023 as against 9.14 percent as against March 31, 2022 and 13.53 percent as on March 31, 2021. The asset quality of the company is further supported by improvement in the on-time portfolio at 84% as on March 31, 2023 as against 62.71 percent as on March 31, 2022.

Acuite believes that company's ability to grow its scale of operations while improving operational efficiency will remain a key rating sensitivity.

Geographical concentration

GIFL currently operates only in Karnataka and has network of 4 branches as on March 31, 2023. This exposes GIFL to high geographical concentration risk. Thus, business performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers.

Rating Sensitivity

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

Material Covenants

GFIL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

GFIL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2023. The company had cash and cash

equivalents of Rs 3.10 crore as on March 31, 2023.

Outlook: Stable

Acuité believes that GFIL's credit profile will be supported by experienced management. The outlook may be revised to 'Positive' in case GFIL is able to significant scale up its operations while maintaining asset quality and demonstrate significant improvement in liquidity buffers through long term funding, i.e. either by way of debt or equity. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of headwinds faced in managing asset quality and significant reduction in liquidity buffers.

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	27.02	20.75
Total Income*	Rs. Cr.	4.88	3.68
PAT	Rs. Cr.	1.52	1.33
Net Worth	Rs. Cr.	20.29	20.01
Return on Average Assets (RoAA)	(%)	6.35	6.56
Return on Average Net Worth (RoNW)	(%)	7.52	6.85
Debt/Equity	Times	0.32	0.04
Gross NPA	(%)	2.96	9.14
Net NPA	(%)	2.42	4.46

*Total income equals to Net Interest Income plus other income

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. 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.

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 Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Deepti Bhandarkar Lead Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	

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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