



Press Release
UV ASSET RECONSTRUCTION COMPANY LIMITED
April 02, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	125.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to ‘**ACUITE BBB+**’ (read as **ACUITE Triple B Plus**) on the Rs. 125.00 crore bank facilities of UV Asset Reconstruction Company Limited (UVARCL). The outlook is ‘**Stable**’.

Rationale for the rating

The rationale for the rating of UV Asset Reconstruction Company Limited (UVARCL) has considered the company's skilled management and promoters, robust recoveries and earning profile, comfortable capitalization, and overall gearing. Moreover, the financial performance of UVARCL has seen a significant improvement in the profitability levels due to major recovery from two accounts which resulted in the total income to reach Rs 171.88 Cr. in FY24 from Rs 39.05 Cr. in FY23. Profitability also increased to Rs 61.78 Cr. in FY24 from Rs 2.29 Cr. in FY23. The rating also factors in the healthy capitalization metrics as reflected by CRAR and gearing levels of 152.83 percent and 0 times, respectively, as of March 31, 2024. The rating however is constrained by the muted acquisitions until 9MFY25 which has led to a decline in the AUM in the same time period. Moreover, the ratings are limited by the segments record of resolving stressed assets, fierce competition, and the potential of unfavourable revisions to the system governing distressed assets.

Going forward, any changes in promoter shareholding and movement in capitalization buffers would remain key monitorables. Further, Acuite has taken cognizance of the ongoing proceedings with the Income Tax Department's. Acuite, takes note of the situation and will keep a tab on these developments. Going forward, UVARCL's ability to profitably grow and achieve timely resolution of assets along with changes in promoter shareholding are key credit monitorable.

About the company

New Delhi based, UV Asset Reconstruction Company Limited was incorporated in 2007. Mr. Prakash Prabhakar Naolekar, Mr. Kishore Kumar Sansi, Mrs. Uma Shankar Paliwal, Mr. Dhan Raj, Mr. Gurpreet Kaur, Mr. Ritesh Aggarwal, Mr. Mayank Dinesh Shah are directors of the company. The Company commenced its Business as an Asset Reconstruction Company. The company acquires Non-performing assets from various banks and financial Institutions.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has adopted a standalone approach on UVARCL's business and financial risk profile for arriving at the rating.

Key Rating Drivers

Strength

Experienced promoters, management and strong shareholders

UVARCL has a team of qualified and experienced professionals to run various business operations. The Board of the company comprises of experienced professionals with banking and legal background. As on 31st December

2024, public sector banks and insurance companies hold 7.50% stake in the company. These include Central Bank of India, Bank of Maharashtra, Union Bank of India, Bank of India, Indian Bank, Punjab National Bank, National Insurance Company Limited and United India Insurance Company Limited.

Improved Earnings profile

UVARCL's revenue profile comprises income from management fees, income from investments in financial assets and investments in security receipts. The company reported total income of Rs. 171.88 Cr. in FY2024 as against Rs. 39.05 Cr. in FY2023. The company reported Profit after Tax (PAT) of Rs.61.78 Cr. in FY2024 as against Rs.2.29 Cr. in FY2023. Acuité believes that the company's ability to maintain a steady growth in revenues will be linked to its ability to maintain a consistent acquisition strategy; and controlling credit costs will be attained by timely and successful resolution of the acquired assets. UVARCL's total recoveries have substantially improved in FY24 with realisation of financial assets amounting to Rs 981.90 crore when compared to Rs 111.90 crore in FY23. This was on account of recoveries from major accounts which were delayed in earlier years.

Comfortable capitalization

The company's capital position is comfortable as reflected by CRAR of 152.83 percent as on March 31, 2024 (P.Y: 50.28 percent). The increase in CRAR is attributable to decrease in risk weighted assets for the year. Further, the gearing remained at Nil times as on March 31, 2024 as against 0.73 times as on March 31, 2023.

Weakness

Industry concentration risks; business profile susceptible to timely resolution of assets

The company's AUM of Rs. 613.05 Cr. as on March 31, 2024 is across 14 industries of which top three industries constitute ~71.89 percent. The top three industries are Iron and Steel (48.78 per cent), Infrastructure (18.99 per cent) and Hospitality (4.13 per cent). UVARCL's acquisition strategy is sector agnostic with a focus on aggregation and consolidating the share in the overall debt of the acquisition. Its acquisitions decreased in FY2024 to Rs.265.20 Cr. as against Rs.433.75 Cr. in FY2023 which has led to a decrease in AUM from Rs.1,329.75 Cr. in FY2023 to Rs.613.05 Cr. in FY2024. However, this also indicates that the recoveries/resolution of these cases has been much larger than the acquisitions which is reflected in the higher income and profitability levels. Any signs of economic contraction in near to medium term would not be conducive for effective and speedy resolution of stressed assets for ARC's like UVARCL.

Inherent challenges in the asset reconstruction business

UVARCL is likely to continue to face challenges given the inherent nature of the asset reconstruction business. The changes in the regulatory regime pertaining to acquisition of distressed assets from banks by ARC has tilted the balance in favor of those ARCs who are able to acquire assets for direct cash conditions as against issuance of Security receipts. The current disposition does not provide any significant benefits to the banks (sellers of these distressed assets) in case the investment of the bank in these SR's exceed a threshold limit. Hence, the banks are incentivized to go for cash deals. While the regulation has allowed QBs investment, the ability of any ARC to tap this route will depend to a large extent on their demonstrated track record of recovery especially in a similar sector. Any challenges in achieving meaningful resolution of these assets will also have a bearing on the ability of the ARC to attract future support from the QBs for their acquisitions. The intense competition from other ARC's will also add to the headwinds in achieving the growth in scale of operations.

Rating Sensitivity

- Changes/dilution in promoter shareholding
- Resolution of distressed assets & financial performance
- Single sectorial concentration beyond 50 per cent
- Changes in regulatory environment

Liquidity Position

Adequate

The company's liquidity profile is adequate as on March 31, 2024. The acquisitions are funded through a mix of equity, QB funds and promoter funds with largely no scheduled payments. The cash flows of ARCs are generally uneven and a portion of revenues will depend on inflows from the resolution of SRs and upside revenues. Any challenges in ensuring steady revenue flow through timely resolution of the distressed assets will impact the liquidity buffers.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets*	Rs. Cr.	218.06	260.87
Total Income**	Rs. Cr.	171.88	39.05
PAT	Rs. Cr.	61.78	2.29
Net Worth	Rs. Cr.	214.97	145.19
Return on Average Assets (RoAA)	(%)	25.80	0.79
Return on Average Net Worth (RoNW)	(%)	34.31	1.59
Debt/Equity	Times	Nil	0.73
Gross NPA	(%)	NA	NA
Net NPA	(%)	NA	NA

*Net of Intangible assets

**Total income is net of interest expense

NA - Not applicable

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

Brickworks, vide its press release dated June 20th, 2024 had denoted the rating of UV Asset Reconstruction Company Limited as BWR BB+/ Stable 'Downgraded and Issuer not co-operating'.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Asset Reconstruction Companies: <https://www.acuite.in/view-rating-criteria-85.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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

Not Applicable

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.	25.00	Simple	ACUITE BBB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Working Capital Term Loan	04 Oct 2023	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE BBB+ Stable Assigned
Central Bank of India	Not avl. / Not appl.	Working Capital Term Loan	31 Oct 2023	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB+ Stable Assigned

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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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