

Akme Fintrade (India) Limited

April 5, 2019

Ratings

Instrument	Amount (Rs. Crore)	Rating ¹	Rating Action
Fixed Deposit Programme	3.00	CARE BBB (FD);Stable (Triple B (Fixed Deposit)); Outlook: Stable	Revised from CARE BBB- (FD); Stable; ISSUER NOT COOPERATING (Triple B Minus (Fixed Deposit)); Outlook: Stable; Issuer Not cooperating)

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the fixed deposit instrument of Akme fintrade (India) Ltd. (AFIL) derives strength from the long experience of the promoters in the industry with strong group support, growth in scale of operations with geographical diversification, diversified product portfolio and expansion of resource base over a period of time. The rating also derives strength from moderate earning profile and liquidity position, long-standing track record of AFIL with primarily secured nature of portfolio and adequate Management Information System (MIS).

The rating however continues to remain constrained on account of its moderate capital adequacy and capital structure, higher customer concentration, moderate seasoning of loan portfolio and moderate asset quality.

AFIL's ability to increase its scale of operations with greater geographical as well as resource base diversification while improving its asset quality and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and strong group support: The promoters of the Akme group, Mr. Nirmal Jain and his family members have an experience of over two decades in various lines of business including asset financing through various entities. The promoters have been instrumental in driving the growth of AFIL since its inception. Akme group has other entities mainly Akme Fincon Ltd. (AFL; Vehicle financing) and Akme Star Housing Finance Ltd. (ASHFL; Housing Finance). The company utilizes the branch network of its group companies for generating business and recovery leading to benefit in lower operating expenses. Further, the group entities have made investments in each other.

Long track record of operations: AFIL has a long track record of more than two decade in the industry. Over the years, AFIL has built a large customer base with active customers being 48589 as on March 31, 2018, leading to substantial repeat business with less effort. Also, it has built decent in house employee strength of 130 including professional team of top management. Further, over a period of time, AFIL has built good relations with auto dealers leading to y-o-y growth in disbursements.

Primarily secured nature of business: AFIL is primarily engaged in financing of two and three wheelers as well as LAP financing and hence, its entire loan portfolio is secured by way of mortgage of the vehicle being financed and property against which loan has given, apart from the normal procedure of obtaining guarantee from a third party for the loan. The secured nature of the loan portfolio provides comfort for the lending business, as the actual loss in case of any delinquency is lower compared with unsecured loans, as the outstanding amount can be realized from sale of the asset financed.

Moderate earning profile: AFIL's NIM has been marginally declining for last two years mainly because of increase in debt to fund its loan portfolio. AFIL's interest coverage stood at 1.55 times during 9MFY19 as compared to 1.38 times during FY17 mainly due to decrease in operating expenses. ROTA has improved in FY18 to 3.84% as compared to 2.04% in FY17 mainly on account of decline in operating expenses as compared to increase in Total assets. Further, ROTA stood at 4.26% (annualized) for 9MFY19.

Increase in scale of operations with expansion in resource base: AFIL's outstanding portfolio has increased by around 138.13% to Rs.335.94 crore as on March 31, 2018 compared to Rs.142.80 crore as on March 31, 2017. Further, the portfolio has increased to Rs.453.56 crore as on December 31, 2018. AFIL reported growth of 108.15% in its total income to Rs.46.29 crore in FY18 compared to Rs.22.24 crore in FY17 upon considerable growth in its portfolio. Further, Total income stood at Rs.60.95 crore during 9MFY19.

AFIL is gradually increasing its resource base and currently enjoys bank facilities from 11 banks and 19 financial institutions along with deposits from public, promoters and relative of directors. Further, AFIL is in process to raise the debt from long term instruments.

Key Rating Weaknesses

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Moderate asset quality with low seasoning of loan portfolio: The quality of AFIL's loan portfolio improved though remained moderate with a Gross NPA ratio of 1.73% (based on 90 plus dpd) as on March 31, 2018, compared with 1.72% (based on 120 plus dpd) as on March 31, 2017. AFIL wrote off Rs.0.91 crore of loans in FY18. Further, the Gross NPA stood at 1.69% (based on 90 plus dpd) as on December 31, 2018. The Net-NPA-to-net-worth ratio of AFIL marginally deteriorated from 5.55% as on March 31, 2017 to 7.76% as on March 31, 2018 and further to 7.66% as on December 31, 2018. However, a large proportion of its loan book was built recently for which the seasoning is low and the performance of the recently built portfolio needs to be observed in the future.

Moderate regional and product concentration: AFIL has presence in four states i.e. Rajasthan, Gujarat, Madhya Pradesh and Maharashtra with 69.33%, 11.10%, 8.27% and 11.31% respectively of total outstanding portfolio as on December 31, 2018 respectively. The loan portfolio is moderately diversified with two and three wheeler financing (comprising 30.69% of total O/s as on December 31, 2018), Loan Against Property (LAP) (64.09%) and CV (5.22%). This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. Further, top 20 largest borrowers O/s loan stood at Rs.34.04 crore which is 10.13% of total O/s loan portfolio as on March 31, 2018 presence higher customer concentration risk.

Moderate capital adequacy and capital structure: The capital adequacy ratio (CAR) of AFIL remained stable at 21.24% as on December 31, 2018 despite increase in portfolio during FY18 & 9MFY19. Promoters are regularly infusing the equity in AFIL from last three year i.e. Rs.9.79 crore in 9MFY19, Rs.18.90 crore in FY18 and Rs.9.51 crore during FY17 to fund the growth in scale of operations.

Liquidity Analysis: Liquidity position of AFIL as on Jan 31, 2019 has been comfortable with working capital limit utilization remaining comfortable at 92% for 12 months ending Jan 31, 2019. AFIL has comfortable ALM as on Jan 31, 2019 with no cumulative mismatch in any bucket with unencumbered cash and bank balance of Rs.4.94 crore as on Jan 31, 2019. Further, the company has raised equity of Rs.18.90 crore in FY18 and Rs.9.79 crore in 9MFY19 which provides cushion in liquidity position. AFIL has un-availed sanctioned term loans of Rs.35.00 crore as on Feb 28, 2019 which gives cushion to liquidity going forward.

Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Non-banking Financial Companies](#)
[Financial Sector Ratios](#)

About the Company

Incorporated in February 1994 by Mr. Nirmal Kumar Jain and his family members, Akme Fintrade (India) Ltd. (AFIL) is a part of the Akme Group of Udaipur, Rajasthan and is engaged in two and three wheeler financing in regions surrounding Udaipur in Rajasthan. Akme Fincon Ltd. (AFIL), another entity of the group, RBI Registered NBFC-ND, is also engaged in vehicle financing with a relatively smaller geographic reach limited to Udaipur. The promoters also have other business interests including housing finance [through Akme Star Housing Finance Ltd.], real estate and automobile dealership.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	22.24	46.29
PAT	2.69	10.88
Interest coverage (times)	1.38	1.67
Total Assets	167.51	398.87
Net NPA (%)	1.42	1.53
ROTA (%)	2.04	3.84

A-Audited

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fixed Deposit	-	-	-	3.00	CARE BBB (FD); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (07-Mar-19)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (15-Mar-18) 2)CARE BBB-; Stable (12-Apr-17)	1)CARE BBB-; Stable (22-Mar-17)	1)CARE BB+ (15-Jul-15)
2.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Mar-19)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (15-Mar-18) 2)CARE BBB-; Stable (12-Apr-17)	1)CARE BBB-; Stable (22-Mar-17)	1)CARE BB+ (15-Jul-15)
3.	Fixed Deposit	LT	3.00	CARE BBB (FD); Stable	-	1)CARE BBB- (FD); Stable; ISSUER NOT COOPERATING* (15-Mar-18) 2)CARE BBB- (FD); Stable (12-Apr-17)	-	-

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