Agriwise Finserv Limited (Revised)

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BB+; Stable and Withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4+' assigned to bank facilities of Agriwise Finserv Limited (AFL) with immediate effect. The above action has been taken at AFL's request and 'No Objection Certificate'/No Dues Certificate received from the bank(s)/financial institutions that have extended the facilities rated by CARE Ratings.

Ratings are constrained by reduced scale of operations due to decline in loan portfolio over the last few years, falling profitability considering high operating expenses towards market expansion and recovery efforts and moderate asset quality with exposure to relatively riskier borrower segment. Ratings also consider weakened resource profile, concentration risk in portfolio, and moderate track record of operations.

Ratings factor in adequate capitalisation and low gearing levels (as the company has been repaying its debt using the collections from its lending portfolio) and improvement in granularity of the loan portfolio. Ratings further factors in the company's strategy of growing business by entering a co-lending model. AFL has tied-up with a few banks and NBFCs for co-lending and business correspondence (BC) partnerships. This has enabled the company to increase its assets under management (AUM) over the last two years while the on-book loan portfolio has declined.

AFL is a wholly owned subsidiary of Star Agriwarehousing and Collateral Management Limited (SACML), which has appointed its senior management team in AFL and the company benefits from the experience of the parent in sourcing of business.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook is considering CARE Ratings' expectation of AFL's sustained growth in its AUM with improvement in business and financial risk profile.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial risk profile

AFL saw a decline in its loan book portfolio from FY19 due to challenges faced by the company in raising resources, which impacted the company's income profile and profitability. As a result, the company changed its business model to increase its lending through the co-lending and business correspondent (BC) partnerships. Its on-book loan portfolio decreased from ₹357 crore as on March 31, 2020, to ₹181 crore as on March 31, 2023, and increased marginally to ₹191 crore as on March 31, 2024, due to higher disbursements at ₹247 crore in FY24 (FY23: ₹195 crore). The company's AUM stood at ₹299 crore as on March 31, 2024, compared to ₹237 crore as on March 31, 2023.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Despite marginal decline in interest income, AFL earned net interest income (NII) of ₹24.32 crore in FY24 against ₹19.89 crore in FY23 due to lower interest outgo. AFL's total income increased marginally by 3% to ₹38.23 crore in FY24 compared to ₹37.09 crore for FY23 supported by recoveries from bad debts and charges on delayed payments.

The company witnessed controlled operating expenses resulting in pre-provision operating profit (PPOP) of ₹4.44 crore in FY24 compared to operating loss in FY23. The company made provisions on NPAs in FY24 with increase in slippages compared to write-back of provisions in FY23. The company reported profit after tax (PAT) of ₹2.79 crore for FY24 compared to PAT of ₹1.21 crore for FY23.

Small size of operation and limited track record

AFL's size of operations is currently small considering the company has 39 branches across six states in the country as on March 31, 2024. The company's AUM has declined over the last five years from ₹448 crore as on March 31, 2019, to ₹299 crore as on March 31, 2024. Along with a moderate seasoning of loan portfolio, the company has been revamping the entire business model from conventional way of lending initially to co-lending business model for which the company is in the process of building partnerships. AFL currently has co-lending arrangements with a bank and an NBFC and BC partnerships with a couple of small finance banks.

Exposure to relatively riskier borrower segment

AFL offers loan against property (LAP) to borrowers dealing in agricultural commodities, finance against warehouse receipt (WHR) and unsecured loans against improper collateral (ULIC) (to be restricted to less than 10% of total loan portfolio per the management) especially to customers in rural and semi urban areas.

Moderate asset quality:

AFL's asset quality is moderate with the company's gross NPA ratio at 4.07% as on March 31, 204, compared to 2.84% as on March 31, 2023. The company sold NPAs of ₹54.32 crore at a haircut of ₹6.32 crore to asset reconstruction company (ARC) during FY22 and received ₹7.2 crore as cash. As a result, the gross NPA ratio declined in FY22 from ₹28.29 crore as on March 31, 2021, to ₹2.27 crore as on March 31, 2022. As on March 31, 2024, GNPAs stood at ₹7.78 crore. The company reported Net NPA (NNPA) ratio of 2.06% as on March 31, 2024 (PY: 1.43%). The net exposure to security receipts (SR) stood at ₹20.84 crore as on March 31, 2024 (PY: ₹35.26 crore), constituting 11.40% of loan portfolio.

Geographical and client concentration risk

The company's loan portfolio has concentration in top three states, which constituted ~74% AUM as on March 31, 2024. Owing to the company's limited track record, loan portfolio is not very well diversified. The top 10 borrowers constituted 19% AUM as on March 31, 2024.

Key strengths

Stable capitalisation levels with low gearing levels

The company received initial capitalisation by SACML when it acquired 100% shareholding in AFL and infused equity capital of ₹150 crore in FY15 and FY16. But post initial infusion, there has been no infusion from the company's parent or third-party investor. However, as the company has seen a decline in its loan portfolio, as a part of their business strategy, its capitalisation levels have significantly increased with comfortable capital adequacy ratios. AFL reported capital adequacy ratio (CAR) of 76.09% (Tier I CAR: 75.39%) as on March 31, 2024, compared to CAR of 70.35% (Tier I CAR: 68.24%) as on March 31, 2023. The company's tangible net worth stood at ₹173 crore as on March 31, 2024, and its debt reduced to ~₹77 crore as on March 31, 2024, from ₹88 crore as on March 31, 2023. The company reported an overall gearing at 0.46x as on March 31, 2024, against 0.50x as on March 31, 2023.

Liquidity: Adequate

The company's asset liability maturity (ALM) profile as on March 31, 2024, showed no cumulative negative mismatches for the time buckets up to one year. The company has been repaying its term debt and a major portion comprises cash credit (CC) facility from the State Bank of India. The company had unencumbered cash and fixed deposits and liquid investments of ₹7.8 crore and unutilised lines of ₹5 crore as on September 30, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on Withdrawal of ratings
Criteria on assigning Outlook or Rating watch to Credit Ratings
CARE's default recognition policy
Rating Methodology – Non Banking Finance Companies
Financial ratios - Financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non Banking Financial Company (NBFC)

AFL was incorporated on March 14, 1995, as Raylight Leasing & Finance Limited (RLFL). The company got the Certificate of Registration from RBI for carrying business of a NBFC on February 22, 2002. In FY15, Star Agri warehousing & Collateral Management Limited (SACML) acquired 100% equity stake in the company (August 04, 2014) and the company's name was changed from Raylight Leasing & Finance Limited to 'Star Agri Finance Limited'. The company is in providing loans against property (LAP) and agri-based loans. The company restarted its operations under the current management in February 2015. The company's name was changed to 'Agriwise Finserv Limited' on October 15, 2020. As on March 31, 2024, the company had an AUM of ₹299 crore and tangible net worth of ₹173 crore. The company provides agri term loans (LAP), secured term loans (Non-Agri LAP), and unsecured loans against imperfect collateral, agricultural commodity loans and flexi-loans.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	37.09	38.23
PAT	1.21	2.79
Total Assets	268	259
Net NPA (%)*	1.43	2.06
ROTA (%)	0.41	1.06

A: Audited UA: Unaudited; Note: these are latest available financial results, *Net NPA/Net Carrying value

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	NA	-	-	-	0.00	Withdrawn
Fund-based-Long Term	NA	-	-	-	0.00	Withdrawn
Fund-based-Long Term	NA	-	-	-	0.00	Withdrawn
Fund-based-Short Term	NA	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	-	-	1)CARE BB+; Stable (08-Jan-25)	1)CARE BB+; Stable (26-Mar-24) 2)CARE BB+; Stable (04-Apr-23)	-	1)CARE BB+; Positive (23-Mar-22)
2	Fund-based-Long Term	LT	-	-	1)CARE BB+; Stable (08-Jan-25)	1)CARE BB+; Stable (26-Mar-24) 2)CARE BB+; Stable (04-Apr-23)	-	1)CARE BB+; Positive (23-Mar-22)
3	Fund-based-Short Term	ST	-	-	1)CARE BB+; Stable (08-Jan-25)	1)CARE A4+ (26-Mar-24) 2)CARE A4+ (04-Apr-23)	-	1)CARE A4+ (23-Mar-22)

4	Fund-based-Long Term	LT	-	-	1)CARE BB+; Stable (08-Jan-25)	1)CARE BB+; Stable (26-Mar-24) 2)CARE BB+; Stable (04-Apr-23)	-	1)CARE BB+; Positive (23-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Fund-based-Short Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.