Akme Fintrade (India) Ltd.

March 22, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	50	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Revised from CARE BB+ (Double B Plus)**
Total facilities	**50 (Rupees. Fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of bank facilities of Akme Fintrade (India) Ltd. (AFIL) is on account of increase in scale of operations with improvement in asset quality during FY16 and 9MFY17. The rating also draws strength from the experience of promoters of AFIL in various businesses and understanding of local markets and support from other group entities in the similar line of business. The rating also takes into account secured nature of loan portfolio of AFIL, adequate internal control and MIS system and its moderate capital adequacy ratio.

The rating however, continues to remain constrained on account of the moderate product and geographic concentration with low seasoning of loan portfolio, concentrated resource base along with moderate profitability and liquidity.

AFIL's ability to further increase its scale of operations through greater geographical diversification, expansion of resource profile and strengthening of its risk management systems are the key rating sensitivities.

Detailed description of the key rating drivers

Key Strengths

Continuous increase in loan portfolio

AFIL's outstanding portfolio has increased by around 52% as on March 31, 2016 compared with as on March 31, 2015. Further, the portfolio has increased to Rs.117.35 crore as on December 31, 2016. AFIL reported growth of 19.11% in its total income in FY16 compared to FY15 upon considerable growth in its portfolio.

Continuous improvement in asset quality

The quality of AFIL's loan portfolio improved though remained moderate with a Gross NPA ratio of 1.78% (based on 150 plus dpd) as on March 31, 2016, compared with 2.45% (based on 180 plus dpd) as on March 31, 2015. Net NPA ratio also improved from 1.93% as on March 31, 2015 to 1.44% as on March 31, 2016.Further, the Gross NPA stood at2.33% (based on 120 plus dpd) as on September 30, 2016 mainly due to better collection efficiency on growing portfolio with net NPA ratio improving to 1.94%. The Net-NPA-to-net-worth ratio of AFIL also improved from 5.18% as on March 31, 2015 to 4.99% as on March 31, 2016 and stood at 6.61% as on September 30, 2016.

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 also promoted Akme Fincon Ltd. which is also engaged in two and three wheeler financing in Udaipur and surrounding regions of the city as well as Akme Star Housing Finance Ltd. which is engaged in financing of Housing loans and loan against property in Udaipur and surrounding regions. The company utilizes the branch network of its group companies for generating business and recovery while the portfolio is managed from their Head office at Udaipur.

Moderate capital adequacy

The capital adequacy ratio (CAR)of AFIL though deteriorated but remained above RBI guidelines of 15%, at 26.02% as on March 31, 2016, compared with 32.37% as on March 31, 2015, with increase in loan portfolio being funded mainly through debt. The CAR has improved during H1FY17 mainly due to infusion of equity by the promoters.

Key rating Weaknesses

Moderate regional and product concentration

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

The loan portfolio of AFIL is moderately concentrated in Rajasthan, mainly in the surrounding districts of Udaipur with 82% of portfolio concentrated in Rajasthan as on March 31, 2016. The loan portfolio is moderately diversified with two and three wheeler financing (comprising 69.89% of total O/s as on March 31, 2016), Loan Against Property (LAP) (26.50%) and CV (3.61%).

Moderate profitability and deterioration in capital structure

AFIL's NIM has been declining for last two years mainly because of increase in debt to fund its loan portfolio. ROTA has declined in FY16 mainly because of debt funded growth in loan portfolio during the last quarter of FY16. AFIL's reliance on external debt as a source of funding increased as indicated by overall gearing of 2.91 times as on March 31, 2016, compared with 2.09 times as on March 31, 2015. Further, overall gearing deteriorated to 3.03 times as on December 31, 2016.

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. The promoters also have other business interests including housing finance, real estate and automobile dealership through other entities of the group. As on December 31, 2016, AFIL had an outstanding loan portfolio of Rs.117.35 crore.

During FY16 (Aud.) (refers to the period April 1 to March 31), AFIL reported a total operating income of Rs.13.23 crore (FY15: Rs.11.11 crore) with a PAT of Rs.1.94 crore (FY15: Rs.1.50 crore). As per provisional results for 9MFY17, AFIL has reported a total operating income of Rs.14.80 crore with PAT of Rs.1.93 crore.

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.

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
Fund-based - LT-Cash Credit	-	-	-	32.00	CARE BBB-; Stable
Term Loan-Long Term	-	-	December, 2019	18.00	CARE BBB-; 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	32.00	CARE BBB-; Stable	-	1)CARE BB+ (15-Jul-15)	1)Suspended (25-Mar-15)	1)CARE BB+ (31-Jan-14)
2.	Term Loan-Long Term	LT	18.00	CARE BBB-; Stable	-	1)CARE BB+ (15-Jul-15)	-	-

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