

**Akme Fintrade (India) Ltd.**

April 12, 2017

**Ratings**

| Facilities                                | Amount<br>(Rs. crore)                              | Rating <sup>1</sup>                                                            | Rating Action |
|-------------------------------------------|----------------------------------------------------|--------------------------------------------------------------------------------|---------------|
| Long term Bank Facilities                 | 59<br>(enhanced from 50)                           | CARE BBB-; Stable<br>(Triple B Minus; Outlook: Stable)                         | Reaffirmed    |
| <b>Total facilities</b>                   | <b>59</b><br><b>(Rupees Fifty Nine crore only)</b> |                                                                                |               |
| Medium term Instrument<br>(Fixed Deposit) | 3                                                  | CARE BBB- (FD); Stable<br>(Triple B Minus (Fixed Deposit);<br>Outlook: Stable) | Assigned      |
| <b>Total Instruments</b>                  | <b>3</b><br><b>(Rupees Three crore only)</b>       |                                                                                |               |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to bank facilities and Fixed deposit programme of Akme Fintrade (India) Ltd. (AFIL) continues to derives strength from increase in scale of operations with improvement in asset quality during FY16 (refers to the period April 1 to March 31) 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 at 2.33% (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**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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***

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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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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 |
|-----------------------------|------------------|-------------|---------------|-------------------------------|-------------------------------------------|
| Fund-based - LT-Cash Credit | -                | -           | -             | 41.00                         | CARE BBB-; Stable                         |
| Term Loan-Long Term         | -                | -           | Sept, 2019    | 18.00                         | CARE BBB-; Stable                         |
| Fixed Deposit               | -                | -           | Oct, 2021     | 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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1.      | Fund-based - LT-Cash Credit            | LT              | 41.00                          | CARE BBB-; Stable      | -                                         | 1)CARE BBB-; Stable (22-Mar-17)           | 1)CARE BB+ (15-Jul-15)                    | 1)Suspended (25-Mar-15)                   |
| 2.      | Term Loan-Long Term                    | LT              | 18.00                          | CARE BBB-; Stable      | -                                         | 1)CARE BBB-; Stable (22-Mar-17)           | 1)CARE BB+ (15-Jul-15)                    | -                                         |
| 3.      | Fixed Deposit                          | LT              | 3.00                           | CARE BBB- (FD); Stable | -                                         | -                                         | -                                         | -                                         |

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