

Galada Finance Limited

April 07, 2017

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Fixed Deposits	0.80 (Rs. Eighty Lakh only)	CARE BB (FD); ISSUER NOT COOPERATING [Double B (Fixed Deposit); ISSUER NOT COOPERATING]	Issuer Not Cooperating

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Galada Finance Limited (GFL) to monitor the rating(s) vide e-mail communications/letters dated October 28, 2016, February 07, 2017, February 28, 2017, and March 11, 2017, letter dated March 14, 2017. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Galada Finance Limited's Fixed Deposit Programme will now be denoted as **CARE BB (FD); ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on March 21, 2016 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Relatively small and concentrated portfolio

Despite having a track record of more than twenty nine years, the company is a small player with loan portfolio of Rs.6.76 crore and Rs.7.71 crore as on March 31, 2015 and September 30, 2015 respectively. GFL has its head office in Chennai and follows a Direct Sales Agent (DSA) / Franchise Model where in DSAs operate from Ambasamudram, Tirunelveli, Madurai, Madanapalli, Chittoor and Aurangabad. The branches are setup only in Aurangabad and Chittoor. GFL is involved in extending Hire Purchase Loans for used and new commercial vehicles (4 wheelers to commercial vehicles). The IRR of Hire purchase loans range between 17% to 26%. The average tenor of the HP loan is 36 months. Around 68% of the loan portfolio has ticket-size above 5 Lakhs. Hire purchase Loans forms around 82% of the portfolio in FY15 (refers to the period April 1 to March 31) and 80% of the portfolio in H1FY16. Vehicle loans constitute around 10% of the portfolio in FY15 and 8% in H1FY16. The portfolio is also geographically concentrated with the more than 70 % of the loans originating from Chennai and rest from Ambasamudram, Tirunelveli, Madurai, Madanapalli, Chittoor and Aurangabad.

Weak Asset quality

GNPA and NNPA stood high at 17.02% and 14.25% respectively as on March 31, 2014. The higher NPA levels are attributed to the slowdown in Industrial activity. However, during FY15, GFL was able to reduce the NPA levels, with improvement in collections. GNPA and NNPA improved to 13.95% and 11.06% respectively as on March 31, 2015. GFL recognized NPA on 12 months overdue basis as per RBI norms for HP loans for FY15. Despite recognizing NPA on 9 months overdue basis, as on January 16, 2016 the GNPA stands at 8.52% of loan portfolio. The company has taken various efforts to improve the collection efficiency and contain NPA levels.

Key Rating Strengths

Long track record of operations and experienced management

GFL was incorporated in 1986 and has established track record of operations for around three decades. GFL was promoted by Mr Ashok Galada, Managing Director who has over 4 decades of experience in Hire Purchase, Leasing, Financial Services and Management. The Board comprises 6 members with five directors being associated with the company for more than a decade. Mr Ashok Galada, a finance professional having more than 40 years of experience in Hire Purchase, Leasing, Financial Services and he is an executive member of South India Hire Purchase association and Finance Companies Association. The day-to-day operations are managed by Mr Naveen Galada (s/o Mr Ashok Galada), Whole time Director, who has more than ten years of experience in hire purchase business.

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

Credit appraisal system

The operation of the credit team including documentation, approval and disbursement is centralized at the head office. The credit officer does the due diligence of the borrower and also field visit to the borrower's residence is done. The credit appraisal report is submitted to the credit committee for approval. For ticket-size greater than Rs.5 Lakh, the credit appraisal Team does the sanctioning. The loans are backed by collateral in the form of property. The company uses customized software, 'Downstar' for monitoring the operations.

Moderate profitability indicators

GFL's loan portfolio dropped to Rs.6.76 crore as on March 31, 2015 from Rs.8.39 crore as on March 31, 2013. The total income also declined to Rs.1.81 crore in FY15 from Rs.1.85 crore in FY13. Disbursements declined from Rs.5.66 crore in FY13 to Rs.3.49 crore in FY14. However, disbursements during FY15 grew by 45% to Rs.5.05 crore with Hire purchase disbursements contributing to 85% of the total disbursements in FY15. The yield during FY15 was higher at 20.59% (PY: 18.72%) on account on increased lending towards Hire purchase loans. As a result NIM improved to 10.01% in FY15 as against 9.07% in FY14. ROTA stands at 3.92% in FY15 as against 1.17% in FY14. During H1FY16, the company reported a PAT of Rs.0.08 crore on a total operating income of Rs.0.58 crore.

Comfortable capital adequacy levels

Networth as on March 31, 2015 increased to Rs.6.48 crore from Rs.5.95 crore in March 31, 2012. CAR improved from 56.20% as on March 31, 2012 to 73.12% as on March 31, 2015. GFL's comfortable capital adequacy levels could also be attributed to decline in credit exposure. Overall gearing improved to 0.36x as on March 31, 2015 from 0.51x as on March 31, 2014.

Moderate Resource Profile

The loan portfolio is primarily funded out of tangible net worth, fixed deposits and debt. Networth constituted around 71% of the resource profile, fixed deposits constituted around 7% and the remaining portion comprised debt. As on March 31, 2015, the company had total fixed deposits of Rs.0.66 crore as against Rs.0.78 crore as on March 31, 2014.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios-Financial Sector](#)

[CARE'S Rating Methodology for Non Banking Finance Companies \(NBFCs\)](#)

About the Company

Galada Finance Limited (GFL) is predominantly engaged in the business of Hire Purchase and Leasing. GFL, based out of Chennai was incorporated as a Private Limited Company in the year 1986 and converted to a Public Limited Company in the year 1994. The company registered with RBI as a Non-Banking Finance Company in March 1998. GFL was promoted by Mr. J. Ashok Galada, a finance professional having more than 40 years of experience in Hire Purchase, Leasing, Financial Services and Management. Currently, he is an executive member of South India Hire Purchase association and Finance Companies Association.

During FY16 (refers to the period April 1 to March 31), GFL reported a PAT of Rs.0.22 crore on a total income of Rs.1.54 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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	-	-	-	0.80	CARE BB (FD); ISSUER NOT COOPERATING

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.	Fixed Deposit	LT	0.80	CARE BB (FD); ISSUER NOT COOPERATING	-	-	1)CARE BB (FD) (21-Mar-16)	-

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