

## Galada Finance Limited

August 24, 2018

### Ratings

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Fixed Deposits	0.80 (Rs. Eighty lakh only)	<b>CARE BB- (FD); ISSUER NOT COOPERATING* (Double B Minus (Fixed Deposit); ISSUER NOT COOPERATING*) CARE BBB; Stable [Triple B; Outlook: Stable]</b>	Revised from CARE BB (FD); Issuer Not Cooperating* [Double B (Fixed Deposit); Issuer Not Cooperating*]; Issuer Not Cooperating; Based on best available information

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had vide its press release dated April 07, 2017 had placed the rating of Galada Finance Limited (GFL) under the issuer non cooperating category as it had failed to provide information for monitoring of the rating. GFL continues to be non cooperative despite repeated requests for submission of information through e-mail communication/letters dated January 17, 2018, January 24, 2018, February 02, 2018, February 09, 2018, February 16, 2018, March 05, 2018, March 14, 2018, March 20, 2018 and a letter dated July 03, 2018. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The rating has been revised on account of decline in total income and profitability parameters during FY18 (refers to the period from April 1 to March 31). The rating is also constrained by small size of operations and weak asset quality. The rating however, draws strength from long track record of operations and experienced management.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***Moderation in profitability indicators***

The total income had declined from Rs.1.76 crore in FY17 to Rs.1.66 crore in FY18. PAT decreased from Rs.0.24 crore in FY17 to Rs.0.13 crore in FY18. Also, total income had declined from Rs.0.44 crore in Q1FY18 to Rs.0.35 crore in Q1FY19. PAT decreased from Rs.0.11 crore in Q1FY18 to Rs.0.05 crore in Q1FY19. Net Interest Margin (NIM) declined from 10.60% in FY17 to 9.96% in FY18 and ROTA also declined from 2.43% in FY17 to 1.27% in FY18.

##### ***Small size of operations***

Despite having a track record of more than three decades, the company is a small player with loan portfolio of Rs.8.07 crore as on March 31, 2018.

##### ***Weak Asset quality***

GNPA and NNPA stood at Rs.0.82 crore and Rs.0.36 crore as on March 31, 2017 as compared to Rs.0.82 crore and Rs.0.42 crore as on March 31, 2016 respectively.

### 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.

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

\*Issuer did not cooperate; Based on best available information

**Capitalisation levels:**

Networth as on March 31, 2018 increased to Rs.6.18 crore from Rs.6.06 crore in March 31, 2017. Overall gearing improved to 0.44x as on March 31, 2018 from 0.54x as on March 31, 2017.

**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 FY18 (refers to the period April 1 to March 31), GFL reported a PAT of Rs.0.13 crore on a total income of Rs.1.66 crore.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1.76	1.66
PAT	0.24	0.13
Interest coverage (times)	1.69	1.36
Total Assets	10.12	10.86
ROTA (%)	2.43	1.27

A: Audited

**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](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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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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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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* Issuer not cooperating; Revised from CARE BB (FD); ISSUER NOT COOPERATING* on the basis of best available information

*\*Issuer did not cooperate; Based on best available information*

**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.	Fixed Deposit	LT	0.80	CARE BB- (FD); ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB (FD); ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB (FD); ISSUER NOT COOPERATING* (07-Apr-17)	-	1)CARE BB (FD) (21-Mar-16)

*\*Issuer did not cooperate; Based on best available information*

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