

Rating Rationale

Alchemist Asset Reconstruction Company Ltd (AARCL)

17th July 2017

Brickwork Ratings assigns “BWR BBB+” for the bank loan facilities of Rs 25.00 Crs of Alchemist Asset Reconstruction Company Ltd (‘AARCL’ or the ‘Company’)

Particulars:

Facilities	Sanctioned Limits (Rs Crs)	Tenure	Rating
Fund based: Cash credit	25.00	Long term	BWR BBB+ (Pronounced BWR Triple B Plus) [Outlook: Stable]
Total	25.00	INR Twenty Five Crores Only	

Bank Name- State Bank of India (erstwhile State Bank of Travancore)

*For definitions of the rating symbol please visit our website www.brickworkratings.com

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY16, provisional financials for FY17, publicly available information and information / clarifications provided by the Company’s management.

The rating factors, inter alia, the domain knowledge of the management team, significant recoveries made during FY17, satisfactory financial profile marked by comfortable debt service ratios, strong profitability margins and low gearing; Furthermore investments are diversified across different industries. The rating, however, is constrained by risks arising out of adverse developments in the policy framework, as distressed asset market in India is still at a nascent stage and volatility of the cash flows generated from the unpredictable schedules of NPA resolution.

Going forward, the Company’s ability to ability to sustain the growth in business volumes along with timely and efficient resolution of distressed assets will remain key rating sensitivities.

Rating Outlook: Stable

BWR believes **Alchemist Asset Reconstruction Company Ltd (AARCL)**’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to ‘Positive’ in case the revenues and profit show sustained improvement. The rating outlook may be revised to ‘Negative’ if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in Sept 2002, Alchemist Asset Reconstruction Company Limited ('AARCL') was granted License/Certification of Registration by the Reserve Bank of India on 15th March, 2007 as a Securitisation and Reconstruction company under the SARFAESI Act. The Company commenced its operations on 18th June, 2007. AARCL is involved in the business of securitisation and asset reconstruction which consists of acquiring NPAs / distressed assets, resolving the assets and creating value in the process. Alchemist is amongst the first Asset Reconstruction Companies in the private sector to be granted license by the RBI. The ARC is presently dealing with over 30 banks and Financial Institutions. It has diversified portfolio across all the major industries.

The Company has been sponsored by highly qualified professionals. It has an experienced Board and is managed by an experienced executive team having wide and specialized exposure in the field of resolution of distressed assets, reconstruction of sick industrial units and legal and financial restructuring. Mr. Alok Dhir and Mr. Sanjiv Gupta are the Sponsor Directors. Mr. Sasi Madathil, Mr. Pratip Chaudhari and Mr. S. L. Kapur are the Independent Directors. Mr. Anshuman Malur is the Nominee Director.

The broad details of performance in the last three years and FY17 (Provisional) are as under:

Particulars	FY 14 Audited	FY15 Audited	FY16 Audited	FY17 (Unaudited- Provisional)
Number of selling Banks/FIs	3	8	10	11
Number of accounts acquired	13	10	18	29
Cost of Acquisition (Rs Crs)	174.50	90.66	393.48	383.79
No of accounts recovered	7	10	39	33
Amount Recovered (Rs Crs)	4.23	14.07	58.30	36.94
AUM (Rs Crs)	213.31	300.88	656.39	1019.14
SRs issued (Rs Crs)	174.50	90.66	393.48	383.79
Ratings of the SRs- CRA & rating assigned	Most of the Trusts have rating RR1 and above	Most of the Trusts have rating RR1 and above	Most of the Trusts have rating RR1 and above	Most of the Trusts have rating RR1 and above

The Company's AUM has increased to Rs 1019.14 Crs in FY17 as compared to Rs 656.39 Crs in FY 16. Security Receipts amounting to Rs 383.79 Crs were issued during 2016-17. The Company applies all three modes of resolution – One Time Settlement (OTS), Restructuring and Enforcement of security – for recovery from the acquired assets. During 2016-17, around 83% of their recoveries have been through OTS.

Financial Performance

Income from operations improved to Rs 10.61 Crs in FY16 from Rs 5.60 Crs in FY15. Profit after tax also improved to Rs 2.97 Crs in FY16 from Rs 0.91 Crs in FY15 mainly owing to adoption of better recovery methods. During FY17, Income from operations of Rs 14.21 Crs comprised of incentive remuneration (Rs 0.29 Crs), Trustee or management fees (Rs 8.78 Crs), Profit on resolution/ Settlement of financial assets (Rs 5.05 Crs) and other income on recovery of impaired SRs (Rs 0.07 Crs). During FY17, the Company's focus was largely on OTS. On a provisional basis, the ARC has achieved net revenues and PAT of Rs 14.14 Crs and Rs 6.45 Crs for FY17.

AARCL's financial performance is satisfactory marked by comfortable gearing levels, healthy debt protection metrics and modest net worth. The Key Financial ratios are summarized in Annexure I.

Status of non-cooperation with other CRA: Not Applicable

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Fund based Limits	Long term	25.00	BWR BBB+ (Stable) Assigned	-	-	-

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Security Receipts](#)

Analytical Contacts	Media
Vidya Shankar Chief General Manager- Ratings & Chairperson analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

Annexure I

Alchemist Asset Reconstruction Company Ltd

Key Financial Ratios

Particulars	31/Mar/2014	31/Mar/2015	31/Mar/2016
Result Type	Audited	Audited	Audited
Total Debt (Rs Crs)	0.00	0.00	25.50
Tangible Net Worth (Rs Crs)	50.54	77.84	113.57
Capital Employed (Rs Crs)	50.27	77.55	138.60
Total Debt/TNW (Times)	0.00	0.00	0.22
Long Term Debt/TNW (Times)	0.00	0.00	0.22
TOL/TNW (Times)	0.21	0.05	0.26
ISCR (Times)	2163.00	73.43	28.48
DSCR (Times)	7075.78	60.24	19.38
Net Cash Accruals/Total Debt (Times)	-	-	0.11
Net Profit Margin (%)	25.10	16.30	27.99
Operating Profit Margin (%)	7.89	21.79	44.17
ROCE (%)	0.42	1.80	4.29
Current Ratio (Times)	5.60	22.27	22.12

Note: Above Ratios are as per BWR Calculations

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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