

RATING RATIONALE

15 June 2022

Akasa Finance Ltd. (Erstwhile Pooja Finelease Ltd.)

Brickwork Ratings upgrades the rating of Bank loan facilities of Rs 94.5 Crores of Akasa Finance Ltd. (Erstwhile Pooja Finelease Ltd.). The rating is removed from Issuer Not Cooperating*

Particulars:

Facility / Instrument	Amount Rated (Rs. Crs.)		Tenure	Rating#	
	Previous	Present		Previous (22 Apr 2022)	Present
Fund Based Bank Loans					
Cash Credit	30.00	24.50	Long Term	BWR BB+/ Stable/ (Downgraded) and moved to Issuer Not Cooperating*)	BWR BBB-/ Stable (Upgraded) and removed from Issuer Not Cooperating*
Proposed Term Loans	50.00	50.00			
Cash Credit	20.00	20.00			
Total	100.00	94.50		(Rupees Ninety Four Crores Fifty Lakhs Only)	

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

* Issuer did not cooperate, based on best available information

** Details of Bank facilities provided in Annexures- I

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) have upgraded the rating of bank loan facilities amounting to Rs. 94.50 Crs of Akasa Finance Ltd. (Erstwhile Pooja Finlease Ltd.) as tabulated above.

BWR removes the rating from Issuer Not Cooperating category, as the requisite information for reviewing the rating was shared by the company.

The rating upgrade factors in the comfortable capitalisation levels and gearing levels, adequate liquidity, moderately growing asset under management (AUM), and promoters experience and continued support required for business growth.. .

BWR believes Akasa Finance Ltd. credit 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, however, is constrained by the modest scale of operations, moderate asset quality & high risk portfolio.

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BWR has principally relied on the company's audited financials upto FY21, provisional financials of FY22, publicly available information and information/clarifications provided by the Company.

Going forward, the Company's ability to improve AUM and AUM mix while improving upon the asset quality and profitability shall be a key monitorable.

KEY RATING DRIVERS

Credit Strengths:

Experienced & Professional Management

The promoters and management of the company have extensive experience in the industry. The company was founded by Mr. Lunkaran Mehta, having over five decades of experience in financing and leasing business. It is now managed by his son, Mr. Jethmal Mehta (The Chairman) having more than 30 years of experience in the field of lottery, finance and real estate and grandson Mr. Rohit Mehta (The Managing Director) who is instrumental in scaling up the business.

Comfortable capitalisation with moderate gearing.

The networth of the Company had improved from Rs 100 Crs as on 31 March 2021 to Rs 102 Crs as on 31 March 2022. The company's total capital adequacy ratio (CRAR) was comfortable at 64.73% as on 31 March 2022 as against 68.26% as on 31 March 2021. The gearing was moderate at 1.19x as on 31 March 2022 as against 0.91x as on 31 March 2021. Going forward, the Company's ability to efficiently utilize the Capital towards building up a low risk portfolio will be a key monitorable.

Moderate scale of operations; expected to grow substantially will remain monitorable:

The AUM improved from Rs. 166 Crs as on 31 March 2021 to Rs.188 Crs as on 31 March 2022, growth by 13.3% and is expected to grow at a faster rate in the coming period. -. From FY21, the Company had shifted its focus from Two Wheeler loans to E Rickshaw and Loan against Property (LAP). E Rickshaw constitutes 29% and LAP 42% of the total AUM as on 31 March 2022. Going forward the Company's focus area of operations shall be LAP and E Rickshaw. The Company's operations are spread over 7 states with 600 staff and 61000 borrowers. Although the AUM had increased in FY 2022, the scale of operations is low compared to Industry as a whole. Company's ability to improve AUM and AUM mix while maintaining the asset quality shall be a key monitorable.

Credit Risks:

Moderate Asset Quality: The Company's asset quality had dipped during the 1st & 2nd wave of COVID-19 and GNPA (180+ DPD) rose to 12.78% as on 31 March 2020 from 3.24% as on 31 March 2019. Post COVID, with the improvement in collections, the GNPA level has reduced to



9.77% as on 31 March 2021 and 10.98% as on 31 March 2022. NPA's in Personal Loan segment was 35.82% of the exposure as on 31 March 2022, while LAP & E-Rickshaw which constitutes 41.50% & 29.14% of the AUM respectively as on 31 March 2022 had NPA of 8.85 & 12.47% respectively. Since the Company has restricted disbursement towards 2 Wheeler, 3 wheeler, Personal loans during FY 2021-22 and will be focusing towards LAP and E Rickshaw coupled with improvement in the collection efficiency, the asset quality is expected to improve in the FY 2022-23.

The Company shall follow DPD>90 days as NPA from FY 2022-23, which will have an impact on the asset quality, provisions and overall profitability of the Company. Going forward Company's ability to improve the asset quality due to change in the NPA identification norms and its impact on profitability over the next quarters of FY 23 shall be a key monitorable.

Average Earnings with moderately growing asset under management (AUM)

The Company's Net interest Income had declined from Rs 36.82 Crs in FY 2020-21 to Rs 26.48 Crs in FY 2021-22 and finance cost rose to Rs 10.03 Crs as against Rs 5.00 Crs for FY 2020-21 on account of interest paid on inter corporate loans availed from other than related parties amounting to Rs 21 Crs.

Net Interest Margin was 14.53% for FY 2021-2 as against 20.04% for FY 2021-22. The Company recorded 18% decline in PAT of Rs 1.92 Crs for FY 2021-22 as against Rs 2.34 Crs for FY 2020-21. Company's ability to improve the yield on portfolio with reduction in cost of borrowings in order to absorb the incremental provision required due to change in IRAC norms as per regulatory requirement shall be a key monitorable.

Geographical Concentration Risk - Company's portfolio is spread across Delhi, West Bengal, Chhattisgarh, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand, and Maharashtra, through a network of 17 branches. The portfolio is concentrated in Delhi (~60% of the book) followed by West Bengal (~35% of the book).

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Akasa Finance Ltd. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The ability of the Company to scale up its portfolio while improving its asset quality, profitability metrics, maintaining comfortable capitalization and adequate liquidity are key rating sensitivities.

Positive: Portfolio growth backed by stable asset quality, improvement in profitability, healthy capitalisation and Gearing are key rating drivers.

Negative: Deterioration in the asset quality and its impact on the profitability and overall performance of the bank will remain monitorable

LIQUIDITY POSITION: ADEQUATE

As on 30 April 2022, the Company had Cash and Bank balance of Rs.1.63 Crs, FDs of Rs 4.12 Crs and unutilised credit lines of Rs 7.43 Crs. As per the ALM as on 31 March 2022, the cumulative mismatch across all time buckets of the loan portfolio is positive for the Company, indicating an adequate liquidity position. The company has total debt repayments of Rs 6.17 Crs from May 2022 to Oct 2022 against which it has scheduled collection of Rs 18 Cr. The liquidity is adequate to meet all of its repayment obligations.

COMPANY PROFILE

Pooja Finelease Limited is a Non-Banking Finance Company (NBFC) based out of Delhi, India. The company was formed in 1995 and registered with the RBI as an NBFC in 2001. PFL provides Two & Three wheeler loans, Loans against property, Business & Personal loans, and E-Rickshaw loans. PFL was founded by Mr. LK Mehta, having over five decades of experience in financing and leasing business besides real estate and trading in the share market. The company is currently helmed by his son, Mr. Jethmal Mehta (Chairman & Director), having 30 years of experience in the field of lottery, finance and real estate and grandson Mr. Rohit Mehta (Managing Director). Company’s name was changed to Akasa Finance Ltd in January 2022.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY20	FY21
Result Type		Audited	Audited
Total portfolio	Rs. in Crs.	196.46	169.00
Revenue from Operations	Rs. in Crs.	50.76	43.91
Profit after Tax	Rs. in Crs.	0.21	2.34
Tangible net worth	Rs. in Crs.	87.99	100.33
Gearing	Times	1.93	0.91
Gross NPA (DPD>180 days)	%	12.78	9.77
Net NPA	%	11.08	6.63
CRAR	%	70.90	68.26

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal and suspended)

Sr. No.	Name of Instrument	Current Rating (2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Cr.s)	Rating	2021	2020	2019
1.	Fund based - Cash Credit	Long Term	24.50	BWR BBB-/ Stable (Upgrade) and removal from Issuer Not Cooperating* (13 June 2022)	BWR BBB/Stable (Reaffirmed) 26 April 2021	BWR BBB/Stable (Reaffirmed) 10 Feb 2020	Nil
2.	Proposed Term Loan Cash Credit		50.00 20.00	BWR BB+/ Stable/ Issuer Not Cooperating* (Downgraded and moved to INC) (22 April 2022)			
Total			94.50	Rupees Ninety Four Crores Fifty Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

-Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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Akasa Finance Limited
ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Lender	Type of Facilities	Long Term (Rs in Cr)	Short Term (Rs in Cr)	Total@ (Rs in Cr)
1.	State Bank of India	Cash Credit	24.50	–	24.50
2.	Proposed	Term Loans	50.00		50.00
3.	Proposed	Cash Credit	20.00		20.00
	Total Rated Bank Limits		94.50		94.50

Total Rupees Ninety Four Crores Fifty Lakhs Only
 @Outstanding as on 31 March 2022

The Cash Credit Limits was converted into Dropline Overdraft Limits in April 2021 with monthly repayments of Rs 0.50 crore starting from May 2021.

ANNEXURE II - NCD DETAILS: Nil

Additional information is available at www.brickworkratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Brickwork Ratings has been compensated for the provision of the ratings.

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