

## Rating Rationale

### Brickwork Ratings assigns ‘BWR F BBB-’ for the Fixed Deposits aggregating to ₹3.52 Cr of Akme Fintrade (India) Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Fixed Deposits of Rs. 3.52 Cr of Akme Fintrade (India) Limited (“AFIL” or the “Company”):

Facilities	Amount ( Rs in Cr)	Tenure	Rating
Fixed Deposit (Fund Based)	3.52	Long Term	BWR F BBB- (Pronounced as BWR Single F triple B Minus)
Total	3.52	<b>INR Three Crores and Fifty two lakhs</b>	

\*\*Please refer to RBI guidelines for deposit taking NBFC's Master Circular RBI/2015-16/21, DNBR(PD) CC.No.042/03.10.119/2015-16 dated 1July 2015

\*\*\*In terms of Ministry of Corporate Affairs, Government of India notification dated 15<sup>th</sup> September 2015, companies to be eligible to raise Public Deposits are required to have a minimum rating of BWR FBBB.

BWR has essentially relied upon the audited financial results of the company upto FY15, projections for FY16 & FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from AFIL management’s experience as a Non-Banking Finance Company (NBFC) in asset financing business, consistent growth in its secured loan portfolio, track record of operations, comfortable capital adequacy position and group support from other companies engaged in a variety of businesses including automobile dealership. The rating is, however, constrained by a small scale of operations, risks associated with asset financing, geographical concentration and asset quality.

#### Background:

Incorporated in February 1996 by Mr. Nirmal Kumar Jain and his family members, Akme Fintrade (India) Limited is engaged in asset financing business. It is registered as a deposit accepting Non-Banking Finance Company (NBFC) with the Reserve Bank of India. The company operates branches in fifteen districts of Rajasthan State and has recently started operations in Mumbai region, and areas in Gujarat bordering Rajasthan.

Another group entity, Akme Fincon Limited is also in the same line of business with operations in Udaipur and surrounding regions.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The promoters have other business interests including housing finance, real estate and automobile dealership through other entities of the viz. Akme Star Housing Finance Limited, Akme Automobiles Private Limited, Akme Build Estate Limited Company and Akme Property & Builders.

### **Ownership & Management:**

Mr. Nirmal Kumar Jain is the Chairman-cum-Managing Director of the company. He and is Chartered Accountant & Cost Accountant by qualification, and has around 20 years of experience in financing and other related businesses. Mr. Mohan Lal Nagda is also the founder and Promoter of the Company ; he is a qualified Chartered Accountant and has more than 23 years of management experience.

Other directors include Mr. Praveen Kumar Jain (Director Finance), Mr. Anil Kumar (Director Operations), Mr. Laxmi Lal Jain (Director Deposits), and Mr. Banshi Lal Jain (Director HR). Non-executive directors include Mr. N.K. Pamecha, Mrs. Pushpa Jain and Mrs. Indu Jain.

### **RBI regulation for Deposit taking NBFC:**

RBI directives for NBFCs are contained in Master Circular RBI/2015-16/21, DNBR (PD) CC.No.042/03.10.119/2015-16 dated the 1<sup>st</sup> July 2015.

### **Financial Performance:**

#### **Earnings Quality**

As per audited financial statements for FY15, AFIL reported total income of Rs. 11.11 Cr and PAT of Rs 1.51 Cr in FY15, as against total income of Rs. 10.15 Cr and PAT of Rs 1.32 Cr in FY14. Net Interest Income (NII) and Net Interest Margin (NIM) stood at Rs 5.78 Cr and 11.03% respectively in FY15, as compared to Rs 5.23 Cr and 11.53% respectively in FY14.

#### **Asset Quality**

The loan portfolio outstanding increased from Rs 44.86 Cr as of March 31, 2014 to Rs 55.27 Cr as of March 31<sup>st</sup>,2015 and further to Rs 68 Cr as on October 31<sup>st</sup> ,2015. There was also improvement in asset quality as reflected in decreased Gross NPA from 3.08 % as on March 31<sup>st</sup>,2014 to 2.45% as on March 31<sup>st</sup> ,2015 and decreased Net NPA from 2.43% as on March 31<sup>st</sup>,2014 to 1.92% as on March 31<sup>st</sup> ,2015 For 6M FY16 , Gross NPA was reported at 2.12% and Net NPA at 1.66%.

#### **Capital Adequacy.**

Total Net Worth of the company has increased from Rs. 16.85 Cr in FY 14 to Rs 20.74 Cr in FY 15 on account of infusion of equity and retention of profit for the financial year.

The Capital Adequacy Ratio was 32.37% as on March 2015 (33.75% as on March 2014) which is entirely Tier 1 capital and is above RBI's prescribed minimum capital requirement of 15% for NBFC's.

### Liquidity

As on March 31, 2015 the company's borrowings by way of Cash Credit and Term loan facilities aggregated Rs 48.13 cr from multiple banks.

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