

Rating Rationale

Brickwork Ratings assigns 'BWR BBB-' for the Bank Loan Facilities aggregating ₹ 48.13 Cr of Akme Fintrade (India) Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of Rs. 48.13 Cr of Akme Fintrade (India) Limited ("**AFIL**" or the "**Company**"):

Facilities	Amount in (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	36.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable
Term Loan (Fund Based)	12.13*		
Total	48.13	INR Forty Eight Crores and Thirteen Lakhs only	

*Note: Term Loan outstanding as on Dec 31st 2015

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 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. 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.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

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.

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 31st,2015 and further to Rs 68 Cr as on October 31st ,2015. There was also improvement in asset quality as reflected in decreased Gross NPA from 3.08 % as on March 31st,2014 to 2.45% as on March 31st ,2015 and decreased Net NPA from 2.43% as on March 31st,2014 to 1.92% as on March 31st ,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.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the company's ability to grow in its scale of operation through greater product and geographical diversification and managing the asset quality of the portfolio & improving the earning profile would be the key rating sensitivities.

Geographical spread and improvement in overall asset size will have a positive impact on the rating.

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