



Rating Rationale

Assets Care & Reconstruction Enterprise Ltd.

21st June 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 75 Cr of Assets Care & Reconstruction Enterprise Ltd

Facility	Limits (Cr)		Tenure	Previous Rating	Rating Recommended
	Previous	Present			
Fund Based	75.00	75.00	Long Term	BWR BBB+ (BWR Triple B Plus) Outlook: Stable	BWR BBB+ (BWR Triple B Plus) Outlook: Stable
Total	75.00	75.00	(INR Seventy Five Crores Only)		

Particulars

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

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY16, provisional for FY17, publicly available information and information/clarification provided by the company's management

The rating reaffirmation has considered the significant experience of the management, institutional holdings by banks, significant recoveries made during FY17, modest financial performance in FY17 marked by comfortable debt service ratios, strong profitability margin, and low gearing; Furthermore investments are diversified across different industries. The ratings, however, continue to be constrained by risks arising out of adverse developments in the policy

framework, as distressed asset market in India is still at a nascent stage, volatility of the cash flows generated from the unpredictable schedules of NPA resolution, and top 10 investments contributing more than 77% of total assets under management (AUM).

Rating Outlook: Stable

The rating outlook of the Company is expected to be stable in the near term in view of healthy asset portfolio and current trend in the growth of NPA in Banks and Financial institutions. Going forward, the Company's ability to sustain growth in business operations, ability to effect recoveries along with timely and efficient resolution of distressed assets and maintain / improve its capital position will remain the key rating sensitivities

About the Company

Assets Care and Reconstruction Enterprise (ACRE) Ltd, is an Asset Reconstruction Company, sponsored by SSG Capital SSG Capital Management (Singapore) Pte. Ltd along with other banks and financial institutions. It is licensed by RBI under the SARFAESI Act with the objective of acquiring non-performing loans (NPLs) from Financial Institutions and banks in India. It started operations in July 2007.

ACRE attempts to acquire assets by participating in auctions of NPAs by Banks/FIs or by issuing security receipts to eligible investors. ACRE targets medium and lower end segment Non Performing Assets (NPAs) in terms of ticket size having per client exposure of minimum Rs 2 Crores and maximum 100% of the net worth of ACRE or Rs 75 Crores, whichever is lower. It seeks to purchase stressed assets and non-performing assets from Banks/FIs which the company expects to be resolved in short to medium term. The acquired assets are resolved either by Settlement of dues payable by the borrower or Rescheduling of payment of Debts or Enforcement of security interest by taking possession of the secured and Sale thereof or by Filing recovery application before DRT/Civil courts depending on the peculiarities of each case and adopting other legal measures as available under law.

Asset Under Management

ACRE has acquired assets worth ₹ 1272.96 Crs in FY17 , the company has Assets Under Management (AUM) amounting to ₹2479.17 Crores. Most of the assets are acquired through Security receipts with a resolution time of upto 5 years and with minimum cash investment of 15 %. Credit concentration of the portfolio is high with top ten NPA accounts constituting about 77% of the total portfolio and major exposure towards Power and Hospitality sectors.

Company Financial Performance

The Company has reported net profit of ₹ 12.76 Crores (42.28%) on total operating income of ₹ 30.18 Crores in FY16 as against net profit of ₹ 8.25 Crores (32.55%) on total operating income of ₹ 25.34 Crores in FY15. On a provisional basis, the Company has reported total operating income of ₹ 40.06Crores for FY17. Tangible networth has increased from ₹91.64 Crores in FY15 to ₹126.47 Crores in FY16 due to capital infusion and retained earnings. As on Mar 31,



2016, Capital Adequacy Ratio (CAR) of the company stood at 32.72% which is higher than the minimum CAR of 15% stipulated by RBI.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2012
	Fund Based	Long Term	75	BWR BBB+	BWR BBB	BWR BBB-	

Hyperlink/Reference to applicable Criteria

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

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the 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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.