

**Genesis Finance Company Ltd**

**Brickwork Ratings reaffirms ‘BWR BBB-’ and revises the outlook to Positive from Stable for the bank loan facilities of Genesis Finance Company Ltd.**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (August, 2019)	Present
<b>Fund Based</b>					
<b>Cash Credit</b>	10.00	10.00	<b>Long Term</b>	BWR BBB-/ Stable	<b>BWR BBB-/ Positive (Reaffirmed and outlook revised from Stable)</b>
<b>Term Loan</b>	18.26	15.83			
<b>Total</b>	<b>28.26</b>	<b>25.83</b>	<b>INR Twenty Five Crores and Eighty Three Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings  
Complete details of bond issues with outstanding ratings are in Annexure I

**RATING ACTION / OUTLOOK:**

Brickwork Ratings (BWR) reaffirms the rating of ‘BWR BBB-’ and revises the outlook to Positive from Stable assigned to Rs. 25.83 Crs of bank loan facilities of Genesis Finance Company Pvt Ltd (GFCPL or the company).

The rating continues to draw comfort from experienced promoters, a healthy overall financial risk profile and adequate asset quality. However, the rating is constrained by the high geographic concentration of the portfolio and relatively modest scale of operations.

The Positive outlook is on account of the strengthening of the company’s financial risk profile. A commensurate sustained improvement in the company’s business risk profile and its ability to manage the asset quality amid the COVID-19 crisis while improving collection efficiency would be the determinants for an upward revision in the rating over the near to medium term.

## Description of Key Rating Drivers

- **Credit Strengths:**

**Experienced promoters:** The company is promoted by Mr. Naresh Garg and Mrs. Sangeeta Garg. Both the promoters have over three decades of entrepreneurial experience in the banking and financial services sector and administration of corporates. They administer the overall management of GFCL. The company was incorporated in 1990 and has a successful track record of three decades. The board of directors and overall management team of GFCL have a prudent lending approach that has supported growth in the company's portfolio with a low delinquency rate. The company's promoters and management team are highly qualified and proficient in the financial services space and seasoned through various business cycles.

**Healthy overall financial risk profile:** GFCL's capitalisation and earnings profile witnessed an improvement in FY20 and are expected to sustain this improvement in the near term. The total capital adequacy ratio (CAR) and Tier I CAR were both 75.04% as on 31 March 2020, against 67.89%, as on 31 March 2019. The company has no Tier II capital. The improvement was mainly due to a reduction in risk weighted assets. The ratios were higher than the minimum regulatory requirement of 15% (total CAR) and 12% (Tier I CAR). The company had a low gearing philosophy demonstrated by a low debt/equity ratio of 0.48 times as on 31 March 2020 (0.44 times as on 31 March 2019). The tangible net worth as on 31 March 2020 stood at Rs. 91.60 Crs (Rs. 83.48 Crs as on 31 March 2019). The cover of tangible net worth to net non-performing assets (NPAs) stood at 67.35 times on 31 March 2020. The company reported an increase in profits, with the reported profit after tax (PAT) of Rs. 8.13 Crs in FY20 against Rs. 4.23 Crs in FY19. The return on assets improved to 5.72% as on 31 March 2020 from 3.45% as on 31 March 2019.

**Adequate asset quality:** The company's portfolio witnessed an improvement in asset quality, with the gross NPAs ratio reducing to 1.16% as on 31 March 2020 from 1.87% as on 31 March 2019. The management's core operational values are strong collection efficiency, secured lending, recurring lending to an established client base and a robust recovery process. With established client relations and focus of collection, the company's portfolio performed better than that of peers during the nationwide lockdown. Overall, 12.5% of the company's total borrowers availed a moratorium and the collection efficiency improved from 67.74% in April 2020 to 97.04% in October 2020. However, given COVID-19-related risks, the company's ability to continue to improve collection efficiency and maintain the asset quality in FY21 will be a key monitorable.

- **Credit Risks:**

**High geographical concentration of portfolio:** The company has a presence in seven states, but its AUM is concentrated in Delhi. Around 81.07% AUM is concentrated in Delhi,



followed by 20.97% in Karnataka, 12.68% in Haryana, 9.65% in Goa, 5.99% in Jammu and Kashmir, and the balance of 4.04% in Uttar Pradesh and West Bengal. The high concentration in Delhi exposes the company's portfolio to risks related to geographical concentration. GFCL operates only from Delhi and has no branches; however, all the borrowers have at least one branch office at Delhi, which facilitates GFCL in monitoring their portfolio. The top 25 customers cover 70% of the total portfolio, exposing the company to high customer concentration risk.

**Relatively modest scale of operations:** The company has witnessed year-on-year growth in the AUM, but the scale of operations remains modest. GFCL mainly sources new clients through word of mouth. The company does recurring lending to an established client base to maintain the asset quality. The company has a very prudent approach towards acquiring new clients. Due to this practice, the AUM was modest at Rs. 134.44 Crs as on 31 March 2020. The company does have an appetite for expansion and has made Rs. 46.54 Crs of disbursement from April to October 2020. Going forward, the company's ability to increase its scale of operations while managing asset quality will be a key rating monitorable.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

The company's ability to grow its portfolio loan book while maintaining asset quality, profitability and liquidity, and improving the overall financial risk profile will be key rating sensitivities.

**Positive:** The company's ability to grow its loan portfolio and maintain its collection efficiency, asset quality, and profitability are key rating positives.

**Negative:** A higher-than-expected deterioration in asset quality or reduction in profitability are key rating negatives.

**Coronavirus disease (COVID-19),** declared a pandemic by the World Health Organization (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending to the retail low-income borrower segments, could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India on interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers to collect accumulated interest and principal dues on a timely basis will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

### Liquidity Profile: Adequate

As on 30 October 2020, the company had cash and cash equivalent of Rs. 0.023 Crs and undrawn working capital limits of Rs. 10.46 Crs. As informed by the company, approximately 12.5% of its borrowers had availed a moratorium. The company has not availed a moratorium on its borrowings. As per the ALM as on 30 March 2020, 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 1.15 Crs and operating expenses of ~ Rs 2.40 Crs between November 2020 to March 2021. The company has total scheduled collections of Rs 27.50 Crs during this period. The liquidity is strong to meet all of its repayment obligations.

### About the Company

Incorporated in 1990, Genesis Finance Co Ltd (GFCL) is an RBI-registered non-deposit NBFC that provides working capital loans against property, company assets, vehicles and jewellery, and small ticket unsecured personal loans. The company is headquartered at Delhi and caters to the credit requirements of customers in seven states. GFCL, promoted by Mr Naresh Garg and Mrs Sangeeta Garg, has been in business for over 30 years and is among the first 25 NBFCs registered with the RBI.

### Company Financial Performance

	Units	31 March 2019	31 March 2020
Key Parameters		Audited	Audited
Portfolio	Rs. Crores	115.13	134.41
Net Interest Income	Rs. Crores	9.69	15.88
PAT	Rs. Crores	4.23	8.12
Tangible Net Worth	Rs. Crores	83.48	91.60
CRAR	%	67.89%	75.04%
Gross NPA	%	1.87%	1.16%
Net NPA	%	1.59%	1.01%

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

S.No	Facility	Current Rating (Nov 2020)			Rating History		
		Type	Amount (₹ Crs)	Rating	5 August 2019	2018	2017
1.	Cash Credit	Long Term	10.00	BWR BBB-/Positive (Reaffirmed and outlook revised from Stable)	BWR BBB-/Stable	NA	NA
2.	Term Loan		15.83				
<b>Total</b>			<b>25.83</b>	<b>₹ Twenty Five Crores and Eighty Three Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable): NA

**Hyperlink/Reference to applicable Criteria**

- General Criteria
- Approach to Financial Ratios
- Banks and Financial Institutions

Analytical Contacts	
<b>Aditi Bhatt</b> <b>Ratings Analyst</b> Board: 022-67456666 Ext: 657 aditi.b@brickworkratings.com	<b>Vydianathan. R</b> <b>Director &amp; Head - Financial Sector Ratings</b> Board: 022-67456666 Ext: 660 vydianathan.r@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

**Annexure-I**  
**Details of Bank Facilities rated by BWR**

Sr. No.	Bank Name	Type of Facility	Long Term (Rs Crs)	Total (Rs Crs)
1	State Bank of India	Cash Credit	10.00	10.00
2		Term Loan*	15.83	15.83
<b>Total</b>			<b>25.83</b>	<b>25.83</b>

**Rupees Twenty Five Crores and Eighty Three Lakhs Only**

\*Outstanding amount as in October 2020.

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