

Rating Rationale

02 Nov 2022

Alchemist Asset Reconstruction Company Limited

Brickwork Ratings places the ratings for the Bank Loan Facilities/ Non-Convertible Debentures of Rs. 200 Crs. of Alchemist Asset Reconstruction Company Limited under watch on account of material events.

Particulars

Instrument/ Facility	Previous Amount (Rs. Crs.)	Present Amount (Rs. Crs.)	Tenure	Previous Rating (8 Apr 2022)	Rating*
Fund Based#	100.00	100.00	Long Term	BWR A- (Stable)	BWR A- /Credit Watch with Developing Implications
NCD's**	100.00	100.00	Long Term	BWR A- (Stable)	BWR A- /Credit Watch with Developing Implications
Total	200.00	200.00	Rupees Two Hundred Crores Only		

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

#Details of bank facilities rated are provided in Annexure-I.

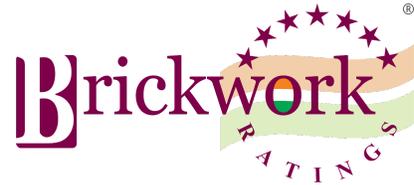
** Details of bonds rated are provided in Annexure-II.

**Company has not raised any NCD till date.

#Out of the previously rated Rs. 100.00 Crs Overdraft (OD) limit, company has been sanctioned an OD limit of Rs. 25.00 Crs. from Union Bank of India (erstwhile Andhra Bank) against the security of SRs and EM of properties in the name of Mr. Alok Dhir.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has placed the BWR A- ratings of the bank loan facilities and non-convertible debentures of Alchemist Asset Reconstruction Company Limited (AARCL) under credit watch with developing implications. This is on account of the Income Tax Department's search and seizure operations on AARCL. BWR is not immediately able to assess the likely impact of the same on the company's business operations and performance of its functions as a result of the IT raid. BWR has now reviewed the financial performance of the company for FY22 and shall continue to closely monitor the developments about the Income Tax Authorities' findings and any adverse impact of the same on the company's operational performance and liquidity position.



The rating BWR A- factors in the experienced board and management, regular recoveries and redemption, and stable financial performance, marked by adequate profitability and a comfortable gearing. The rating, however, is constrained by high exposure to the real estate and hospitality segments, and volatility in cash flows because of the unpredictability of the resolution of underlying assets.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N/A

ANALYTICAL APPROACH

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

RATING SENSITIVITIES

Upward: Steady growth in acquisitions, along with a continuity of resolution from the assets purchased in the past would be positive for AARCL. The early and logical conclusion of the IT operations and its findings would also be a conducive factor.

Downward: Delayed acquisition and resolutions of assets or a sharp rise in the gearing may be negative for AARCL.

ABOUT THE COMPANY

AARCL is a Company Incorporated in 2002, licensed by RBI in 2007 and is amongst the First Private Sector Asset Reconstruction Companies. It is engaged in acquisition of distressed financial assets from Banks/ Financial Institutions for resolution and recovery. AARC is promoted by Mr. Alok Dhir and family. As on 31 Mar 2022, Mr. Dhir and Family and close associates hold a 59.17% stake in the company with DMI Finance pvt ltd being the other key shareholder with an equity stake of 11.97%.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY19	FY20	FY21	FY22
Result Type		Audited	Audited	Audited	Audited
Total Income	Rs. Crs.	37.39	31.63	36.69	39.72
PAT	Rs.Crs.	17.42	8.28	13.57	1.88
Tangible Net Worth	Rs.Crs.	149.26	160.99	174.56	176.44
Total Debt :Tangible Net Worth	Rs. Crs.	0.83	0.57	0.54	0.38
CRAR	%	39.81	44.05	48.29	48.37

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): N/A



RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S.no	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating(2022)			2022 History	Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount Outstanding (Rs. Crs)	Rating	2022 (08-Apr-22)	2021 (25- Mar -21)	2020 (28-Feb-20)	2019 (28-Mar-19)	
1	NCD	Long Term	100.00	BWR A-(CWDI)	BWR A-(Stable)	BWR A-(Stable)	BWR A-(Stable)	BWR A-(Stable)	
2	BLR	Long Term	100.00	BWR A-(CWDI)	BWR A-(Stable)	BWR A-(Stable)	BWR A-(Stable)	BWR A-(Stable)	
	Total		200.00	Rupees Two Hundred Crores Only					

CWDI Credit watch with developing implications.

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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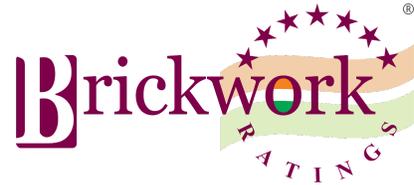
**ANNEXURE I:
Details of Bank Loan Facilities rated by BWR:**

Sl.no	Types of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	OD	25.00	0.00	25.00
2	Proposed Fund Based-OD	75.00	0.00	75.00
Total	Rupees One Hundred Crores Only			100.00

**ANNEXURE II:
INSTRUMENT (Bonds) DETAILS**

Sl.no	Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars
1	NCD -Proposed	-	100.00	-	-	-
Total			100.00	Rupees One Hundred Crores Only		

**ANNEXURE III
List of entities consolidated: N/A**



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