

## Rating Rationale

October 01, 2024 | Mumbai

### Finkurve Financial Services Limited 'CRISIL BBB/Stable' assigned to Non Convertible Debentures

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.125 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB/Stable (Reaffirmed)</b>

<b>Rs.100 Crore Non Convertible Debentures</b>	<b>CRISIL BBB/Stable (Assigned)</b>
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB/Stable**' rating to the non convertible debentures of Finkurve Financial Services Ltd (FFSL), while reaffirmed its '**CRISIL BBB/Stable**' on long-term bank facilities.

The company, also known by its brand name 'Arvog', was set up in 1984 as Sanjay Leasing Ltd. It received non-banking financial company (NBFC) license from the Reserve Bank of India (RBI) in 1998. FFSL was acquired by Mr Ketan Kothari (current promoter) in 2010, who has experience of more than two decades in the precious metals and finance industry. The promoter group held 58.9% stake in the company as on June 30, 2024. The company started offering retail loans in 2019 on pilot basis and gold loans from October 2020.

It is a part of the Augmont group, India's premier bullion trading entity. The Augmont group has a comprehensive gold ecosystem that spans from importing and refining raw gold into fine bars and distributing physical and digital gold to jewellers and retailers. The group comprises Augmont Enterprises Pvt Ltd, which specialises in business-to-business (B2B) bullion trading, and Augmont GoldTech Pvt Ltd, which serves as a direct-to-consumer brand offering a holistic range of products and services for all gold-related needs.

FFSL started offering personal loans and SME loans in fiscal 2020 through partnership with fintech companies. In fiscal 2021, the company partnered with Augmont Gold for All to offer retail gold loans.

The company's assets under management (AUM) stood at Rs 326.4 crore as on June 30, 2024. Its portfolio comprised gold loans (80.9%), personal loans (11.9%) and small and medium enterprise (SME) loans (7.1%) as on June 30, 2024. Average ticket size for gold loans and retail loans was Rs 150,000 and Rs 8,000, respectively, with tenure of 3-6 months for gold loans and 25 days for retail loans in Q1 of fiscal 2025.

The rating continues to factor in the company's adequate capital position supported by comfortable earnings profile, and strong promoter profile and experienced management. Capitalisation was adequate, as reflected in networth of Rs 193.1 crore and gearing of 0.7 times as on June 30, 2024. Top management comprises experienced personnel, including Mr Amit Shroff, CEO, and Mr Aakash Jain, CFO. These strengths are partially offset by small scale of operations, limited seasoning of portfolio and modest resource profile.

As far as gold loan portfolio is concerned, CRISIL Ratings has taken note of the recent news concerning disbursement of loans in cash by non-banking financial companies (NBFCs) engaged in the gold loan business. During Q1 of fiscal 2025, the company has smoothly transitioned to digital channels due to its existing infrastructure and technology. CRISIL Ratings, however, will continue to monitor the impact of the guidelines on the growth in gold loan portfolio of FFSL.

#### Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of FFSL.

#### Key Rating Drivers & Detailed Description

##### Strengths:

##### Adequate capitalisation supported by comfortable earnings profile

Capitalisation was adequate, as reflected in networth of Rs 193.1 crore and gearing of 0.7 times as on June 30, 2024. The capital position is supported by steady accretion to reserve. Profit after tax (PAT) and return on managed assets (RoMA) were Rs 4.4 crore and 5.5% (annualized), respectively, in Q1 of fiscal 2025, compared with Rs 16.1 crore and 6.2%, respectively, in fiscal 2024. As the company is in growth phase, its operating expense remains elevated. FFSL had a network of 81 branches as on June 30, 2024, and plans to increase branches in the near-to-medium term. Ability to sustain

profitability as the portfolio scales up will remain a key monitorable. Nevertheless, the company will maintain steady state gearing below 3 times over the medium term. It will maintain adequate capital supported by strong promoter holding.

### **Strong promoter profile and experienced management**

The company has an experienced board of directors and a management with senior-level experience in the financial services sector. It was acquired in 2010 by Mr Ketan Kothari, who has experience of more than two decades in the precious metals and finance industry. Currently, he is the Joint National Secretary of Indian Bullion & Jewellers Association (IBJA). He is also a promoter in Augmont Enterprises Pvt Ltd and Augmont GoldTech Pvt Ltd.

The promoter group held 58.9% stake as on June 30, 2024. The top management includes experienced personnel, including Mr Amit Shroff, who has experience of over 13 years in the NBFC domain, and Mr Aakash Jain, with experience of over 10 years in finance. The management has developed good systems and processes in terms of sourcing, credit underwriting and client servicing and reporting.

### **Weaknesses:**

#### **Small scale of operations and limited seasoning of portfolio**

The company's AUM stood at Rs 326.4 crore as on June 30, 2024, which grew ~103.1% (annualised) from Rs 259.5 crore as on March 31, 2024. The portfolio of the company comprised gold loans (80.9%), personal loans (11.9%) and SME loans (7.8%) as on June 30, 2024. The average tenure of loans offered by the company was 25 days for personal loans and 3-6 months for gold loans. Disbursements were Rs 303.8 crore for Q1 of fiscal 2025, as against Rs 704.5 crore for fiscal 2024. The SME book will remain small as the company will focus only on gold and personal loans over the medium term.

Gross non-performing assets and net non-performing assets were 1.8% and 1.4%, respectively, in Q1 of fiscal 2025, compared with 2% and 1.5%, respectively, in fiscal 2024 (2.1% and 1.1%, respectively, in fiscal 2023). Overall 90+ days past due (dpd) improved to 1.8% and 2% in Q1 of fiscals 2024 and 2025, respectively, from 19.2% in fiscal 2022. Asset quality is also supported by more than three-fourths of the company's loan book being secured. Given the company is in early stage of operations, there is limited seasoning in the portfolio. Therefore, the ability of the company to maintain portfolio quality amid growing scale of operations will be a key rating sensitivity factor.

#### **Modest resource profile**

FFSL has been able to raise resources from banks at competitive rates. The funding profile consisted of NCDs (6%), term loans (17.5%), cash credit/working capital demand loan (18.3%) and inter-corporate deposits (58.1%) as on June 30, 2024.

Cost of borrowing was 10-12% including processing fees for Q1 of fiscal 2025 as well as fiscal 2024. To diversify its resource profile, the company has also started entering into co-lending arrangement for gold loans with banks.

It plans to scale up operations and will require resources to expand business. Ability to diversify the resource profile and raise funds at competitive rates remains a key monitorable.

#### **Liquidity: Adequate**

The asset-liability management profile had positive cumulative gaps in all time buckets as on June 30, 2024. As on August 31, 2024, the company had cash and bank balance of Rs 8.2 crore and unutilised lines of Rs 4.3 crore, which are sufficient to cover debt obligation of more than two months. Furthermore, FFSL maintains liquidity equivalent to 2-3 months of its net outflow.

#### **Outlook: Stable**

CRISIL Ratings believes FFSL will continue to benefit from the extensive experience of the promoters and management and its adequate capitalisation

#### **Rating sensitivity factors**

##### **Upward factors**

- Substantial increase in revenue while maintaining asset quality (90+ dpd) below 2% on steady state basis
- Steady improvement in profitability
- Diversification of resource profile at optimal cost of funding

##### **Downward factors**

- Weakening in the asset quality with 90+ dpd exceeding 4% on steady state basis, impacting profitability
- Inability to raise capital, leading to significant increase in gearing while scaling up the portfolio

#### **About the Company**

FFSL, also known by the brand name Arvog, was set up in 1984 as Sanjay Leasing Ltd. The company received its NBFC license from the RBI in 1998. It was acquired by Mr. Ketan Kothari in 2010. The company started offering retail loans in 2019 on pilot basis and gold loans from October 2020. The promoter group held 58.9% stake in the company as on June 30, 2024.

It is registered with the RBI as a non-deposit-taking, base-layer NBFC. It focuses on gold loans, which constitute over 50% of its AUM, and can thus be classified as a gold loan NBFC. It is listed on the Bombay Stock Exchange.

For the Q1 of fiscal 2025, the company reported profit after tax (PAT) of Rs 4.4 crore on total income of Rs 28.5 crore as compared to Rs 16.1 crore on total income of Rs 90.3 crore in fiscal 2024.

#### **Key Financial Indicators**

Particulars	Unit	June 30, 2024	FY 2024	FY 2023	FY 2022
Total assets	Rs crore	350.3	283.7	234.6	186.2
Total income	Rs crore	28.5	90.3	50.6	22.7
Profit after tax	Rs crore	4.4	16.1	14.3	21.6
Gross NPA	%	1.8	2.0	2.1	12.1
Adjusted gearing	Times	0.7	0.4	0.3	0.1
Return on managed assets	%	5.5*	6.2	6.8	10.8

\*Annualised

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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**Annexure - Details of Instrument(s)**

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Non Convertible Debentures#	NA	NA	NA	100.00	Simple	CRISIL BBB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	102.50	NA	CRISIL BBB/Stable
NA	Term Loan	NA	NA	15-Jul-26	10.00	NA	CRISIL BBB/Stable
NA	Term Loan	NA	NA	25-Aug-26	7.50	NA	CRISIL BBB/Stable
NA	Term Loan	NA	NA	03-Jul-26	5.00	NA	CRISIL BBB/Stable

# Yet to be issued

**Annexure - Rating History for last 3 Years**

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	125.0	CRISIL BBB/Stable	11-07-24	CRISIL BBB/Stable		--		--		--	--
Non Convertible Debentures	LT	100.0	CRISIL BBB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	102.5	Not Applicable	CRISIL BBB/Stable
Term Loan	10	Tourism Finance Corporation of India Limited	CRISIL BBB/Stable
Term Loan	7.5	Moneywise Financial Services Private Limited	CRISIL BBB/Stable
Term Loan	5	IKF Finance Limited	CRISIL BBB/Stable

**Criteria Details**

**Links to related criteria**[Rating Criteria for Finance Companies](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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