



Press Release

Finkurve Financial Services Limited (FFSL)

Feb 12, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-convertible debentures	7.50	IVR BBB / Stable (IVR Triple B with Stable Outlook)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Rating reaffirmed	Simple
Long term Facilities – Term loans	19.06 (Reduced from Rs. 25.00 crore)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Rating reaffirmed	Simple
Short term Facilities – Overdraft / Cash Credit	31.00 (Enhanced from Rs. 17.00 crore)	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Rating reaffirmed	Simple
Long Term/ Short Term Facilities – Proposed	35.14 (Reduced from Rs. 50.50 crore)	IVR BBB / Stable; IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	IVR BBB / Stable; IVR A3+ (IVR Triple B with Stable Outlook; IVR A Three Plus)	Rating reaffirmed	Simple
Total			92.70		
			(Rupees Ninety-Two Crore and Seventy Lacs)		

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities / NCDs of FFSL as it continues to derive strength from the sustained growth in AUM levels coupled with decline in share of corporate loans, growth in Income levels coupled with healthy Net Interest Margins (NIM), comfortable capitalisation levels and experienced promoters and management. However, the ratings are partially constrained by average asset quality and intense competition & susceptibility to regulatory changes.



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Infomerics Ratings expects outlook to remain stable on the back of expected stable growth in AUM levels due to planned capital infusion from the promoters and expected improvement in overall earnings profile.

Key Rating Sensitivities:

Upward Factors:

- Significant and sustained increase in the scale of operations while maintaining healthy asset quality, capitalization levels, liquidity and profitability.

Downward Factors:

- Substantial deterioration in the scale of operations impacting capital position, liquidity, and profitability.
- Adverse movements in collection efficiency impacting FFSL's asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Growth in AUM levels coupled with decline in share of corporate loans:**
FFSL's total AUM has grown by ~16% y-o-y to Rs. 259.46 crore in FY24 (refers to period 1st April 2023 to 31st March 2024) on back of growth in the gold loan segment. AUM further improved to Rs. 380.62 crore during 9MFY25 with higher disbursements in gold segment, while the share of corporate loans in the FFSL's loan portfolio has declined to 5.52% as on 31st December 2024 from 47.04% & 12.45% respectively as on 31st March 2023 and 31st March 2024 whereas the share of gold loans has increased to ~83% as on 31st December 2024 from 37.66% & 73.05% respectively as on 31st March 2023 and 31st March 2024. Going forward, FFSL's ability to scale its AUM levels while maintaining healthy asset quality will remain a key rating monitorable.
- **Growth in Income levels coupled with healthy NIM:**
FFSL's net interest income (NII) has increased by ~40% y-o-y to Rs. 46.41 crore, driven by a higher interest spread and growth in gold loan segment. This has resulted in an improvement in FFSL's net interest margin (NIM) to 19.41% in FY24, up from 16.73% in FY23. Additionally, FFSL's other income has risen significantly to Rs. 37.89 crore in FY24, compared to Rs. 12.70 crore in FY23, primarily due to growth in fee-based income from the co-lending arrangement. However, FFSL's return on total



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assets (ROTA) has slightly decreased to 6.37% in FY24 from 6.97% in FY23, due to higher provisions, whereas its cost-to-income ratio has improved to 49.60% in FY24, from 56.41% in FY23, owing to rationalization in operating expenses. Going forward, FFSL's ability to grow its income will depend largely on its ability to scale up its AUM.

- **Comfortable Capitalization levels:**

FFSL's capitalization levels are comfortable marked by total CRAR which stood at 50.62% as on 31st December 2024 (31st March 2023: 74.87%, 31st March 2024: 67.70%) which is well above the minimum regulatory requirement. The capitalization levels are supported by FFSL's tangible net worth which stood at Rs. 188.57 crore as on 31st March 2024. Infomerics Ratings expects FFSL's capitalization levels to remain comfortable over medium term on back of expected equity infusion of ~Rs. 160 crores via preferential allotment by March 2025.

- **Experienced Promoters and management:**

FFSL has an experienced board of directors and 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.

Key Rating Weaknesses:

- **Average Asset Quality:**

FFSL's asset quality remains average marked by GNPA and NNPA which stood at 2.26% & 1.84% respectively as on 31st Dec 2024 (31st March 2023: 2.14% & 1.08%; 31st March 2024: 1.98% & 1.50%). This is primarily due to rising gold prices which has led to higher delinquencies due to shift in the borrower's behavior and have enabled them to seek refinancing options with other lenders even when the loans are classified as NPA with business transfers showing an uptick. To mitigate these challenges, FFSL has adopted soft collection efforts to retain customers in early delinquency (stage 1 and stage 2) along with deployment of stringent measures when the LTV inclusive of accumulated interest breaching 90% wherein FFSL initiates the auction process while providing the borrowers a clear timeline of 15 – 30 days to either clear dues or have their gold auctioned. Additionally, FFSL's on time portfolio stood at ~80% as on 31st



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Dec 2024 (31st March 2024: ~91%). Going forward, FFSL's ability to improve its asset quality amidst growing competition will remain a key rating monitorable.

- **Intense competition and susceptibility to regulatory changes:**

FFSL is exposed to intense competition within the financial services sector, often contending with traditional banks as well as emerging fintech companies vying for market share and customer loyalty. Additionally, NBFCs in India are highly susceptible to changes in the regulatory environment. Government policies, regulatory reforms, and compliance requirements can directly impact their operations, liquidity management, and profitability. Therefore, navigating these competitive pressures and regulatory dynamics is crucial for FFSL to sustain growth and maintain stability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Considering its asset size, FFSL's CRAR stood comfortable at 50.62% as on 31st Dec 2024 which is well above the minimum regulatory requirement. Also, it has adequately matched asset liability profile as on December 31, 2024, across all the buckets. Moreover, cash and cash equivalent stood at Rs. 19.07 crore as on December 31, 2024, which provides additional liquidity cushion

About the Company:

Incorporated in 1984, FFSL (erstwhile Arvog Finance) is a non-deposit taking non-banking financial company (NBFC) listed on Bombay Stock Exchange. FFSL received NBFC license in 1998 and currently offers Gold Loans and Pay Day loans.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Income	50.63	90.27
PAT	14.32	16.07
Tangible Net worth	172.49	188.57
AUM (On book as well as off book)	224.13	259.46
Ratios		
NIM (%)	16.73	19.41
ROTA (%)	6.97	6.37
Interest Coverage (times)	4.96	4.44
Total CRAR (%)	74.87	67.70
Gross NPA [Stage III] (%)	2.14	1.98
Net NPA [Stage III] (%)	1.08	1.50

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024 -25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023 - 24	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2021 - 22
1.	NCD	Long Term	7.50	IVR BBB/ Stable	IVR BBB/ Stable (Feb 14, 2024) IVR BBB/ Stable (April 25, 2023)	IVR BBB-/ Stable (Sept. 16, 2022)	IVR BBB-/ Stable (July 31, 2021)



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2.	CC / OD	Short Term	31.00	IVR A3+	IVR A3+ (Feb 14, 2024) IVR A3+ (April 25, 2023)	IVR A3 (Sept. 16, 2022)	IVR A3 (July 31, 2021)
3.	Proposed	Long Term / Short Term	35.14	IVR BBB / Stable; IVR A3+	IVR BBB / Stable; IVR A3+ (Feb 14, 2024) IVR BBB / Stable; IVR A3+ (April 25, 2023)	IVR BBB- / Stable; IVR A3 (Sept. 16, 2022)	IVR BBB- / Stable; IVR A3 (July 31, 2021)
4.	Term Loan	Long Term	19.06	IVR BBB/ Stable	IVR BBB/ Stable (Feb 14, 2024)	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details:

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/Outlook
NCD	INE734I07016	May 19, 2022	10% payable quarterly	August 12, 2031	7.50	Unlisted	IVR BBB/ Stable
CC / OD	--	--	--	Revolving	31.00	--	IVR A3+
Proposed	--	--	--	--	35.14	--	IVR BBB / Stable; IVR A3+
Term Loan	--	--	--	October 25, 2027	19.06	--	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-finkurve-feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Synopsis of the Term Sheet	
Total Issue Size (in Cr.)	Rs. 7.50 Crore
ISIN number	INE734I07016
Mode of Issue:	Private Placement (non-EBP)
Seniority	10% Secured, Rated, Unlisted, Redeemable Non-Convertible Debentures
Redemption date	August 12, 2031
Affirmative covenants:	<p>a) use the finance availed solely for the purposes set out in Article II (2.4) above.</p> <p>b) As and when required by the Investor to furnish to the Investor a detailed statement showing the manner in which the finance availed has been utilized.</p> <p>c) To keep such records as the Investor may require to facilitate verification of the utilization of the said finances.</p>



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	<p>d) To provide to the Investor all such information relating to the Company's services, operations and other matters as the Investor may from time to time at its discretion request, including information relating to the administration, management and financial condition of the Company.</p> <p>e) To promptly notify the Investor if it has notice of any application for winding up having been made or of any statutory notice of winding up under the provisions of the Companies Act, 2013, or any other notice under or in respect of any other legal process filed or intended to be filed or initiated against the Company or if a custodian, liquidator or receiver is appointed of any of its properties, business or undertaking.</p> <p>f) To furnish to the Investor such financial statements as the Investor may specify, covering such periods as the Investor may specify.</p>
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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.