



Press Release

Finkurve Financial Services Limited

July 31, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Proposed Long Term Bank Facilities	20.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Proposed Short Term Bank Facilities	30.00	IVR A3 (IVR A Three)	Assigned
Total	50.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the proposed bank facilities of Finkurve Financial Services Limited derive comfort from its experienced management. The ratings also factor in growth in the Company's loan book as well as its comfortable gearing and debt protection metrics. These strengths are however partially offset by its exposure to unsecured loans, moderate profitability margins and asset quality and exposure to a challenging operating environment for NBFIs.

Key Rating Sensitivities:

Upward Factors

- A sustained increase in the scale of operations, without any significant impact on the asset quality and the maintenance of adequate liquidity

Downward Factors

- Deterioration in scale of operations and/or in the asset quality



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

FFSL was registered as a non-deposit taking NBFC in 1998. The Board of the company is led by Mr. Ketan B. Kothari, who is the Chairman of the Company. He possesses vast experience in futures trading and the commodities market. Other Directors are also well qualified and experienced.

Growth in loan book

FFSL's gross loan assets have increased from Rs.95.84crore as on March 31, 2019, to Rs.202.91crore as on March 31, 2021. This is driven by increase in loans extended to corporates (comprising largely of related parties) as well as introduction of education loans, payday loans and gold loans in FY20 and FY21. The retail loans introduced in FY20 and FY21 were done on a pilot basis and now the Company has been focussing on growing the retail loan book and reducing its exposure to corporate loans. The same can be seen from the sustained decline in the share of corporate loans in the loan portfolio of the Company from 99.91% in FY19 to 95.30% in FY21.

Comfortable gearing and debt metrics

FFSL had a comfortable capital structure marked by overall gearing of 0.56x as on March 31, 2021. The overall gearing has improved from 6.78x as on March 31, 2019, to 0.56x as on March 31, 2021, on the back of infusion of equity capital and securities premium to the tune of Rs. 113.69cr in FY20. The debt protection metrics also remained comfortable marked by interest cover of 1.89x for FY21.

Key Rating Weaknesses

Exposure to Unsecured Loans

FFSL's loan book largely comprises of unsecured loans. As on March 31, 2021, unsecured loans constituted 72.86% of the loan portfolio, thereby exposing the company to risk in case of any default.



Press Release

Moderate Profitability Margins

PAT margin declined to 22.07% in FY21 from 24.71% in FY20 on account of NPA provisioning. ROTA also deteriorated to 2.16% in FY21 as against 2.58% in FY20. However, the Company reported net interest margin (NIM) of 6.53% in FY21 as against 5.71% in FY20.

Moderate Asset Quality

The company is growing its portfolio rapidly. The Gross NPA as on March 31, 2021, stood at Rs.19.87 crore (9.79%) while the Net NPA was Rs.15.55crore (7.66%) as against Gross NPA of Rs.2.24crore (1.16%) and Net NPA of Rs.1.61crore (0.83%) as on March 31, 2020. The asset quality deteriorated in FY21 as one large corporate debtor had defaulted in its repayment due to being hit by Covid. The company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

Challenging operating environment for NBFIs

Currently, NBFIs in India are facing liquidity and funding challenges, resulting in subdued growth/ degrowth and potential ALM mismatches in the short term. This is also expected to adversely affect the borrowing profile and profitability of NBFIs. The COVID-19 pandemic has aggravated the liquidity issues of NBFIs with the resultant impact on asset quality and profitability.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for Non-Banking Finance companies
Financial Ratios & Interpretation (Financial Sector)

Liquidity – Adequate

The liquidity profile of the company remains adequate with positive cumulative mismatches across buckets as per ALM statement as on March 31, 2021, due to favourable asset



Press Release

maturity profile. FFSL's liquidity is supported by cash & cash equivalent of Rs.1.94 crore as on March 31, 2021. The company did not have any debt from Banks or NBFCs as on March 31, 2021.

About the Company

Incorporated in 1984, Finkurve Financials Services Limited (FFSL) (also known as Arvog Finance) is a non-deposit taking non-banking financial company (NBFC) listed on Bombay Stock Exchange. The Company received NBFC license in 1998. FFSL offers Education Loans, Pay Day loans, Gold Loans and MSME Loans. For retail loans segment, the company works in collaboration with Fintech companies

Financials (Standalone):

(Rs.cr)

For the year ended / As on	31-3-2020	31-3-2021
	Audited	Audited
Total Operating Income	16.31	20.43
Interest Expenses	8.08	6.84
PAT	4.03	4.51
Total Debt	72.79	75.75
Tangible Net worth	131.44	135.90
Total Loan Assets (Gross)	194.15	202.91
PAT Margin (%)	24.71	22.07
Overall gearing (x)	0.55	0.56

Status of non-cooperation with previous CRA: Nil

Any other information:



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Limits – Proposed Term Loan	Long Term	20.00	IVR BBB-/Stable	-	-	-
2	Short Term Fund Based Limits – Proposed Overdraft	Short Term	30.00	IVR A3	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Proposed Term Loan	-	-	-	20.00	IVR BBB-/Stable
Short Term Fund Based Limits – Proposed Overdraft	-	-	-	30.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Finkurve-Lenders-31july21.pdf>