



Press Release

Aris Capital Private Limited (ACPL)

February 12, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	6.62	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Total	6.62 (Six Crore and Sixty-Two Lakh)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the Aris Capital Private Limited (ACPL) derives comfort from its Experienced and Professional Management, Comfortable Capital Adequacy Ratio and Geographical diversification. However, these rating strengths are partially offset by Modest Scale of Operations and Profitability, deterioration in asset quality and Competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Increase its scale of business while improving asset quality and profitability
- Diversification of resource profile

Downward Factors

- Moderation in scale of operations with moderation in profitability
- Decline in asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and Professional Management:

Mr. Harsh Vardhan Poddar is the current executive director of the ACPL. He is an MBA from Yale University, USA and has a BSE degree in Engineering and Economics from Duke



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University, USA. He has varied business experience in USA, China, Israel in various sectors and has been spearheading the retail NBFC business of Aris Capital since 2015. Further Mr. Kunal Poddar who has done Masters in Finance from the Massachusetts Institute of Technology, USA and a BA in Economics from Princeton University, USA is a non-executive director of the company. The Poddar family is a renowned family business house based in Kolkata. Family is engaged in various businesses - it has been in the logistics and transport business for more than 50 years. The company has two independent directors, Mr. Somnath Sengupta & Mr. Sunirmal Talukdar both have more than four decades of experience in banking and finance sector.

Comfortable Capital Adequacy Ratio:

ACPL's capital adequacy ratio (CAR) was 40.82% as on March 31, 2020, as against the regulatory requirement of 15%. ACPL had a modest capital structure marked by overall gearing of 1.68x as on March 31, 2020. The debt protection metrics also remained moderate marked by interest cover of 1.34x for FY20.

Geographical diversification

ACPL has a network of more than 60 branches across 6 states in India and services a customer base of over 10,000 car, truck, bus and tractor owners. The company's major operations are in the state of West Bengal apart from that company operates in the state of Gujarat, Jharkhand, Madhya Pradesh, Maharashtra and Odisha.

Key Rating Weaknesses

Modest Scale of Operations and Profitability:

The scale of operations of ACPL remained modest with a loan portfolio of Rs.78.29 crore as on March 31, 2020 and Rs.68.80 crore as on September 30, 2020. PAT remained thin at 0.58 crore for FY2020. The low profitability is expected to be temporarily subdued in FY20



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and expected to remain similar in FY21 due to one-time settlements with regard to NPA resolution. Going forward company is expecting profitability to increase.

Deterioration in asset quality

The asset quality of ACPL witnessed deterioration post FY2018 because of sluggishness in heavy commercial vehicle market and that had created problems in the cash flow of customers resulting in increase in overdues. The higher NPA in old portfolio and relatively weaker assets of acquired portfolio resulted in higher GNPA and NNPA which stood at 17.67% & 15.68% respectively as on March 31, 2020. Furthermore, with increased efforts in collection efficiency and changing its product and underwriting strategy for financing of used heavy commercial vehicles and shifting its focus on the Light commercial vehicle, small commercial vehicle and passenger vehicle segments therefore it is expected that going forward the asset quality shall improve gradually. As on September 30, 2020 GNPA & NNPA improved to 14.81% & 13.19% respectively.

Competitive nature of industry:

ACPL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, ACPL's professional management and focused approach towards commercial vehicle lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Financial Institutions/NBFCs
- Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate



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The liquidity position of the company as on September 30, 2020 as per the ALM provided appears adequate with no negative cumulative mismatches in any of the time buckets. The company had adequate cash and cash equivalents of Rs.7.38 crore as on March 31, 2020. While Infomerics expects the company to meet its debt obligations in a timely manner, it would be important for ACPL to maintain its collection efficiency while ensuring the regular flow of funds to meet its internal growth projections.

About the Company

Aris Capital Private Limited (ACPL) Incorporated in 1995 based in Kolkata, West Bengal is registered with Reserve Bank of India (RBI) as retail non-banking finance company. ACPL has a network of 60 branches across the states of West Bengal, Jharkhand, Odisha, Assam, Gujarat, Maharashtra and Madhya Pradesh. The company is engaged in the financing of used heavy commercial vehicles (HCV), light and medium commercial vehicles (LCV, MCV) Multi-utility vehicles, 3-wheeler vehicles, passenger vehicles, buses and top-up loans. ACPL has acquired a used commercial vehicle loan portfolio of Indore headquartered Ad Manum Finance Limited in 2018.

Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	24.27	20.86
Interest Expense	10.95	10.13
PAT	1.12	0.58
Total Debt	89.75	54.67
Tangible Net Worth	31.91	32.50
Total Loan Asset	114.14	78.29
PAT Margin (%)	4.58	2.47
Overall Gearing Ratio (x)	2.81	1.68
Total CAR (%)	27.15	40.82
Gross NPA (%)	14.34	17.67



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Net NPA (%)	12.87	15.68
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Status of non-cooperation with previous CRA: N/A

Any other information: N/A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	6.62	IVR BB+/ Stable	-	-	-

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.

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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 Bank Facility – Term Loan	-	-	May, 2022	6.62	IVR BB+/Stable