

Abans Finance Private Limited

February 25, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Market Linked Debentures	8.94 (Reduced from 20.00)	CARE PP-MLD BBB-; Stable (Principal Protected-Market Linked Debentures Triple B Minus; Outlook: Stable)	Reaffirmed
Market Linked Debentures	17.51 (Reduced from 25.00)	CARE PP-MLD BBB-; Stable (Principal Protected-Market Linked Debentures Triple B Minus; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	26.45 (Rs. Twenty-Six Crore and Forty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the ratings assigned to the principal protected market linked debenture of Abans Finance Private Ltd. (AFPL). The reaffirmation of the ratings of AFPL factors in the experienced management of Abans Group, comfortable capital metrics and asset quality as well as moderate profitability. The ratings however remain tempered by customer concentration risk, high dependence on trading activities at the Group level which are inherently volatile and moderate track record of the group.

Rating Sensitivities: Factors that could lead to positive rating action/upgrade

- Growth in share of profit from different activities with lesser dependence on trading activities.
- Granularity in the loan portfolio of AFPL

Rating Sensitivities: Factors that could lead to negative rating action/downgrade

- Growing share of profit from few companies involved in trading activities
- Higher gearing levels above 3x for AHPL
- Weakening of asset quality with GNPA beyond 3% in AFPL.
- Increase in client concentration in the portfolio of AFPL

Detailed description of the key rating drivers

Experienced management

Founded by Mr. Abhishek Bansal and under his stewardship, Abans group of companies have evolved from being a trading house to a diversified business group providing expertise across value chain of financial services. The group deals in equity derivatives, currencies and commodities in domestic and international markets. He is assisted by a team of well qualified and experienced directors, having strong experience in capital markets, compliance and taxation matters.

Comfortable capital metrics

AFPL's standalone tangible net worth stood at Rs.209 crore as on March 31, 2021 vis-à-vis at Rs.207 crore as on March 31, 2020. Further, the net worth improved to Rs.219 crore as on December 31, 2021, driven by internal accruals. On a standalone basis, the total Capital adequacy ratio (CAR) stood at 29.17% as on December 31, 2021 which is well above the regulatory requirement of NBFCs. Further, the gearing of AFPL improved to 1.01 times as on March 31, 2021 and further to 0.25 times (Debt-equity) as on December 31, 2021, largely attributing to decline in borrowings, in line with the deleveraging strategy adopted by the management. Entire borrowings are in the form of principal protected market linked debentures/NCDs.

On a consolidated basis, tangible net worth of AHL improved by 12% from Rs.584 crore as on March'20 to Rs.654 crore as on March'21. Net worth improved due to retention of profits of Rs.46 crore in FY21. AFPL was the major contributor towards the borrowings of AHL as on Mar'21, AFPL contributed around Rs.212 crore (~Rs.240 crore in FY20) of the total borrowing of AHL.

Improving but fluctuating profitability due to trading nature of business

On a consolidated basis for AHL, top line has reduced from Rs.2,772 crore in FY20 to Rs.1,331 crore in FY21. The reduction was on account of the reduction in the physical trading of goods as compared to last year due to movement restrictions during the Covid-19 pandemic lockdown. Total operating expenses also reduced to Rs.1,250 crore in FY21 from Rs.2,675 crore in FY20. As decline in overall expenses outpaced reduction in revenues, overall PAT increased to Rs.46 crore in FY21 from Rs.39 crore in FY20, resulting in improvement in ROTA to 3.86% in FY21 from 3.44% in FY20.

The lending operations which are done through AFPL gained momentum only from FY17. At a standalone level for AFPL, the loan portfolio stood at Rs.353 crore as on March'21 vis-à-vis Rs.429 crore as on March'20. The company reported a marginal decline in total income to Rs.48.74 crore in FY21 as compared to Rs.48.78 crore in FY20, however the total operating expenses reported an increase leading to a decline in PAT to Rs.1.85 crore as compared to Rs.2.74 crore in FY20. This resulted in ROTA of 0.42% in FY21 as compared to 0.57% in FY20. Furthermore, during 9MFY22 (provisional results) the company reported PAT of Rs.9.27 crore on total income of Rs.28.48 crore.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Comfortable asset quality

The Gross NPA % and Net NPA % of AFPL remains negligible to NIL over the years as the company provides loans and advances to the corporates enjoying long term relations with the Group and those companies who are the clients of the broking business. Also, the loans and advances are provided for a shorter duration which is upto one year and are callable on demand.

Key Rating Weaknesses

High dependence on revenue from trading activities which have inherent volatility

For AHL in FY21, around 93.99% of the total income was derived from trading in commodities and derivatives, profitability from which can be volatile in nature, 1.59% of total income constituted Broking & allied activities and 4.4% comprised of interest income (from AFPL) and the residual less than 1% came from other advisory services. Sharp volatility in the capital markets may lead to volatility in the income profile of the company.

Furthermore, AHL has a very high concentration risk as out of the total PAT of Rs.45.94 crore around Rs.33 crore (72%) was contributed by Abans Middle East (DMCC) and around Rs.7 crore (15%) was contributed by Abans Global Ltd. (AGL) in FY21. AMED is primarily into commodities trading on DGCX (Dubai Gold & Commodities Exchange) which operates in a tax-free jurisdiction. AMED is a step-down subsidiary of AHL. Thus, there is heavy reliance on this company for contributing towards retained profits, also repatriation of the same in the home country continues to remain a challenge.

Moderate track record of operations

Abans group was founded in 2005 and has consequently ventured into various businesses primarily being lending and broking. The lending business is done through AFPL and has gained momentum only from FY17 and thus has only a moderate track record

Client Concentration in AFPL

AFPL is engaged in the business of lending loans both secured and unsecured to individuals and corporates primarily in the category of small and medium enterprise borrowers. The borrower companies are engaged in the business of technology, gems & jewellery and broking & commodity.

The top 20 exposures of AFPL as on March 31, 2021 accounted for 100% of the total loan portfolio and 1.68x of the tangible net worth. As on December 31, 2021, the top exposure accounts for 38% of the total loan portfolio which is towards related party of Abans group and the same accounts for 32% of the tangible net worth.

Liquidity Position - Adequate

On a consolidated basis, as on 31st March 2021, AHL had reported cash and cash equivalents of Rs.209 crore on its books. Further, the ALM of AFPL as on January 31, 2022 is comfortable with positive cumulative mismatch across the time buckets largely on account of longer tenure borrowings viz-a-viz short tenure of scheduled inflows from advances. The company has scheduled inflows from the loans and advances, which are short term in nature having maturity of upto one year, of Rs.171 crore against which the company has repayment of Rs.20.28 crore in 1 year bucket.

Analytical approach: Standalone by factoring in operational and managerial linkages with the parent Abans Holdings Limited.

Applicable Criteria

[Criteria on assigning 'Outlook' and 'CreditWatch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology- Non-Banking Finance Companies](#)

[CARE's Criteria for Market Linked Notes/Debentures](#)

[Financial ratios - Financial Sector](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

About Abans Holdings Private Limited (AHPL)

Abans Holdings Limited, erstwhile Abans Holdings Private Limited is the holding company of all the companies in the Abans Group. The group is promoted by Mr. Abhishek Bansal in 2009 Abans Group is engaged in commodity business which includes arbitrage trading, distribution of gold & silver, jewellery manufacturing and gold & silver refining and providing short term loans and advances to the corporates engaged in the business of trading. The group is also engaged in broking operations in the commodities, equities and currency segments

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total income	4,377.75	2,771.88	1,331.37	NA
PAT	36.26	39.27	45.94	NA
Total Assets	1,078.12	1,206.42	1,175.33	NA
Interest coverage	3.32	1.80	2.57	NA
PAT / Total Income	0.83	1.42	3.45	NA

A: Audited (Figures as per Ind AS)

About Abans Finance Private Limited (AFPL)

AFPL is one of the group entities of Abans group which is RBI registered systemically important non-deposit accepting NBFC engaged in providing secured and unsecured structured and trade financing solutions to individuals and corporates primarily in the category of small and medium enterprise borrowers. AFPL is indirectly owned by Mr. Abhishek Bansal through AHPL (AHPL-92% owned by Mr. Abhishek Bansal).

Brief Financials (Rs. crore) (Standalone)	FY19 (A)	FY20 (A)	FY21 (A)	9MFY22 (P)
Total income	21.29	48.78	48.74	28.48
PAT	0.99	2.74	1.85	9.27
Total Assets	508.64	449.16	428.70	NA
ROTA (%)	0.29	0.57	0.42	NA
RONW (%)	0.45	1.15	0.89	NA

A: Audited (Figures as per Ind AS); P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Please refer Annexure 4.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

Annexure – 1: Details of instruments / facilities

Name of the Instrument	ISIN	Date of Issuance	Maturity Date	Size of the issue (Rs.crore)	Rating
PP MLD	INE00ZD07165	28-Feb-2020	13-May-2023	4.00	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07389	11-Sep-2020	26-Oct-2023	1.40	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07389	29-Oct-2020	26-Oct-2023	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07397	10-Dec-2020	31-Dec-2022	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07405	11-Dec-2020	03-Jan-2024	0.60	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07397	16-Dec-2020	31-Dec-2022	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07405	17-Dec-2020	03-Jan-2024	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07405	30-Dec-2020	03-Jan-2024	0.32	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07405	27-Jan-2021	03-Jan-2024	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07413	04-Feb-2021	27-Feb-2024	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	05-Feb-2021	22-Jul-2022	0.58	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	08-Mar-2021	22-Jul-2022	0.50	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07439	12-Mar-2021	22-May-2024	3.05	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07439	15-Mar-2021	22-May-2024	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07413	16-Mar-2021	27-Feb-2024	0.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	17-Mar-2021	22-Jul-2022	1.60	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07439	30-Mar-2021	22-May-2024	1.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07439	29-Apr-2021	22-May-2024	0.60	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	30-Apr-2021	22-Jul-2022	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07462	05-May-2021	09-Nov-2022	0.70	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	17-May-2021	22-Jul-2022	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07470	19-May-2021	11-Aug-2022	3.00	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07439	28-May-2021	22-May-2024	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	01-Jun-2021	22-Jul-2022	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07488	17-Jun-2021	11-Mar-2023	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	18-Jun-2021	22-Jul-2022	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07488	23-Jun-2021	11-Mar-2023	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07488	29-Jun-2021	11-Mar-2023	0.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	30-Jun-2021	22-Jul-2022	0.90	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07421	08-Jul-2021	22-Jul-2022	0.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07488	15-Jul-2021	11-Mar-2023	0.50	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07496	23-Jul-2021	07-Jan-2023	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07488	29-Jul-2021	11-Mar-2023	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07496	30-Jul-2021	07-Jan-2023	0.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07504	25-Aug-2021	13-May-2023	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07504	06-Sep-2021	13-May-2023	0.30	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07496	17-Sep-2021	07-Jan-2023	0.10	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07512	24-Sep-2021	17-Jun-2023	0.20	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07496	16-Nov-2021	07-Jan-2023	0.80	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07512	23-Nov-2021	17-Jun-2023	0.70	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07520	06-Dec-2021	16-Jan-2025	1.00	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07496	16-Dec-2021	07-Jan-2023	0.50	CARE PP-MLD BBB-; Stable
PP MLD	INE00ZD07330	07-Jul-2020	27-Jul-2021	-	Withdrawn

PP MLD	INE00ZD07363	24-Aug-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07371	31-Aug-2020	19-Dec-2021	-	Withdrawn
PP MLD	INE00ZD07363	10-Sep-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07371	15-Sep-2020	19-Dec-2021	-	Withdrawn
PP MLD	INE00ZD07363	21-Sep-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07363	30-Sep-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07363	21-Oct-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07371	22-Oct-2020	19-Dec-2021	-	Withdrawn
PP MLD	INE00ZD07363	04-Nov-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07363	18-Dec-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07363	31-Dec-2020	15-Feb-2022	-	Withdrawn
PP MLD	INE00ZD07363	15-Jan-2021	15-Feb-2022	-	Withdrawn

Annexure – 2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	1)Withdrawn (03-Mar-20) 2)CARE BBB-; Stable (21-Feb-20)	1)CARE BBB-; Stable (15-Feb-19)
2	Principal Protected Market Linked Debentures	LT	8.94	CARE PP-MLD BBB-; Stable	-	1)CARE PP-MLD BBB-; Stable (02-Mar-21)	1)CARE PP-MLD BBB-; Stable (03-Mar-20)	-
3	Principal Protected Market Linked Debentures	LT	17.51	CARE PP-MLD BBB-; Stable	-	1)CARE PP-MLD BBB-; Stable (02-Mar-21)	-	-

Annexure 3: List of subsidiaries considered for consolidation as on March 31, 2021

Sr. No	Company	Relation	% of shareholding	Country of incorporation
1	Abans Finance Pvt Ltd	Direct Subsidiary	91.77	India
2	Abans Agriwarehousing & Logistics Pvt Ltd (AALPL)	Direct Subsidiary	100.00	India
3	Abans Capital Pvt Ltd (Hydax Enterprises Pvt. Ltd)	Direct Subsidiary	91.77	India
4	Abans Securities Pvt Ltd	Subsidiary of ACPL	91.77	India
5	Abans Broking Services Pvt Ltd	Subsidiary of ACPL	91.77	India
6	Abans Commodities (I) Pvt Ltd	Subsidiary of ACPL	91.77	India
7	Clamant Broking Services Pvt. Ltd.	Subsidiary of ABSPL	91.77	India
8	Abans Global (IFSC) Pvt. Ltd.	Subsidiary of ABSPL	91.77	India
9	Abans Global Ltd	Subsidiary of ABSPL Subsidiary of ASPL	89.45	UK
10	Abans Middle East DMCC	Subsidiary of ASPL	91.77	UAE
11	Abans International Ltd	Subsidiary of AIMM	91.77	Mauritius
12	Abans Global Trading DMCC	Subsidiary of AGL	89.45	UAE
13	Caspian HK Trading Limited	Subsidiary of ABSPL	91.77	Hong Kong
14	Irvin Trading Pte Limited	Subsidiary of ABSPL	91.77	Singapore
15	Abans Investment Manager Mauritius (AIMM)	Subsidiary of ABSPL	91.77	Mauritius
16	Abans Venture UK Limited	Subsidiary of AALPL	100.00	UK
17	Shanghai Yilan Trading Co. Ltd.	Subsidiary of AALPL	100.00	China
18	Corporate Avenue Services Ltd.	Subsidiary of AAIL	100.00	UK

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of Instrument	Complexity Level
1	Principal Protected – Market Linked Debentures	Highly Complex

Annexure 5: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable**Annexure 6: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media Contact**

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Archana Mahashur

Contact no.: +91-22-6754 3410

Email ID: archana.Mahashur@careedge.in

Relationship Contact

Name: Saikat Roy

Contact no.: +91-98209 98779

Email ID: saikat.roy@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**