

Abans Finance Private Limited

February 01, 2018

Ratings

Facilities	Amount (Rs. Crore)	Rating	Remarks
Proposed Bank Facilities	5.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; ISSUER NOT COOPERATING (Double B; ISSUER NOT COOPERATING)
	5 (Rs. Five Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating revision factors increasing trend in the profits with a sufficient network base of the Abans group with presence across business activities ranging from processing, trading and financing. The rating is constrained by dependence of the group on trading activities which are volatile in nature, higher share of profits from a single company, nascent stage of operations of business activities other than trading. The rating also factors in diversified business profile, moderate gearing and experienced management. Steady profitability and gearing levels are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

High dependence on revenue from trading activities which have inherent volatility

A significant proportion of Abans group's revenue comprises of trading income which is volatile in nature. During FY17, on a combined basis, Abans group earned total income of Rs.66.73 crore of which trading income accounted for 60% of the group's total income. Sharp volatility witnessed in the capital markets can lead to volatility in the income profile of the company. Reducing dependence on the capital markets will be a key rating sensitivity. Interest income and fee income accounted for 14% and 2% of the total income respectively.

Higher share of profits from a single company in a group

On a combined basis, Abans group reports a PAT of Rs. 25.69 crores on a total income of Rs. 66.73 crores as at March 31, 2017. Of the total PAT of Rs. 25.69 crores, Rs. 22.32 crores ie approx. 86% is contributed by Abans Middle East (DMCC) (Dubai). This company is engaged in trading of commodities and currencies and has its set up in Dubai. It is managed by a Mr. Dipeshkumar Vyas alongwith a team of experts.

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.

Nascent stage of operations of business activities other than trading

Abans group has ventured into various businesses primarily being lending and broking. The loan portfolio as well as the clientele is restricted to only few HNI's and corporates in both the cases. The company has also started designing of jewellery, refining of gold bars, sale of copper wires and providing warehousing facilities.

The companies are in the nascent stage of operations considering the scale of operations as well as the profitability. All these companies together contribute 14% of the total profits.

Key Rating Strengths

Diversified business profile

The group started its business activity by providing broking and lending services. The group also undertakes trading in various products including gold, Castor seed, Jeera, Chana, Coriander, R.M. Seed, Turmeric, Cotton Oil Cake in both the derivative and physical segments. The group has also ventured into manufacturing of gold jewellery and has recently started Gold Dore Refinery plant in Rudrapur, Uttarakhand, where the group manufactures refined Gold Bars. The company has also started trading in copper wires.

Thus the management of the company have the capability to venture into various areas once they foresee an opportunity.

Experienced management

The group has been founded by Mr. Abhishek Bansal, who has significant experience in the trading of metals, commodities and equities. The management team includes personnel having strong experience in capital markets, compliance and taxation matters.

Increasing trend in profitability

On a combined basis, in FY17, the group had a PAT of Rs.25.69 crore on total income of Rs.66.73 crore (PAT of Rs.24.27 crore on total income of Rs.69.10 crore in FY16). In FY17, AFPL (on a consolidated basis) reported PAT of Rs.24.69 crore on total income of Rs.58.95 crore (PAT of Rs.23.59 crore on total income of Rs.57.64 crore in FY16). On a standalone basis, in FY17, AFPL reported PAT of Rs.0.33 crore on total income of Rs.9.63 crore (PAT of Rs.0.24 crore on total income of Rs.9.20 crore in FY16). However, on the group level, majority of the profit is derived from Abans Middle East DMCC, Dubai (AMED), a group entity which operates in a tax free jurisdiction. AMED is primarily into commodities trading on DGCX (Dubai Gold & Commodities Exchange) and reported PAT of Rs.22.32 crore (PAT of Rs.19.14 crore in FY16).

Moderate gearing

Overall gearing on a group combined basis was 2.14 times as on March 31, 2017 (2.69 times as on March 31, 2016). The group uses borrowings primarily for working capital requirements. AFPL's gearing ratio (on a consolidated basis) was 1.88 times as on March 31, 2017 (2.53 times as on March 31, 2016). On a standalone basis, AFPL's gearing ratio was 3.22 times as on March 31, 2017 (2.65 times as on March 31, 2016). The networth of the company has also shown an increase from Rs. 84 crores in FY16 to Rs. 111.09 crores in FY17. A significant portion of the borrowings is on account of inter corporate deposits of Rs. 100 crores which primarily are unsecured and have led to an increase in the borrowings costs.

Analytical approach: CARE has considered a console approach for analytical purposes, as the companies have common management and similar line of businesses with each other.

Applicable Criteria

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

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

[Financial ratios – Financial Sector](#)

Background of Abans Finance Private Limited

Abans Group of Companies was promoted by Mr. Abhishek Bansal in 2009. Abans Group consists of 13 companies engaged into various businesses ranging from processing, trading and financing. Abans Vanijya is the holding company for Abans Finance Private Limited. Abans Finance Private Ltd. (AFPL) is one of the group entity of Abans group which is RBI registered non- systemically important not deposit accepting NBFC. It provides loans primarily to corporates that trade in commodities and also the holding company for other group entities such as Abans Broking Services Private Limited (ABSPL), Abans Commodities (I) Private Limited (ACPL) and Abans Securities Private Limited (ASPL) which are into commodity and broking business. Abans Middle East DMCC(Dubai), a subsidiary of Abans Securities Private Limited is into proprietary trading and contributes substantially to profitability of the group. While Abans Jewels Private Limited is into distribution of gold & silver, jewelry manufacturing and gold & silver refining, Abans Metals Private Limited is into sale of copper wires. Abans Agri Warehousing provides warehousing facilities and Abans Realty and Infrastructure is engaged into purchase and sale of various properties.

AFPL on consolidated basis accounted for majority of the income of the Abans group. It comprises of seven subsidiaries. On a consolidated basis, in FY17, AFPL reported total income of Rs.24.69 crore on total income of Rs.58.95 crore. On a standalone basis, in FY17, AFPL reported PAT of Rs.0.33 crore on total income of Rs.9.63 crore. AFPL is indirectly owned by Mr. Abhishek Bansal through Abans Vanijya Private Limited (AVPL-100% owned by Mr. Abhishek Bansal). AVPL does not have any operations.

Combined Financials of Abans Group

Brief Financials (Rs. crore)	FY16	FY17
Total operating income	69.10	66.73
PAT	24.27	25.69
Interest coverage (times)	2.23	2.17
Total Assets	453.23	463.32
ROTA (%)	5.35	5.60

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

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

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.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	5.00	CARE BB; ISSUER NOT COOPERATING*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BB+; Stable	1)CARE BB; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE BB+ (21-Apr-16)	-	-

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