

Abans Finance Private Limited

February 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Market Linked Debentures	6.75 (Reduced from 16.07)	CARE PP-MLD BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed the rating of market linked debentures of Abans Finance Private Limited (AFPL), part of abans group factors in its experienced management, adequate capital structure and liquidity profile. The ratings however are constrained on account of its moderate size and volatile portfolio, resources & customer concentration risk as a result of high dependence on lending to group companies.

Rating sensitivities: Factors to lead to rating actions:

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade

- Diversification in business and earnings profile with increasing share of business from non-group entities
- Granularity in loan portfolio
- Sustained scale up in business operations

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade

- Continued volatility in topline with deterioration in ROTA to below 1% on sustained basis
- Gearing above 3.0x on a sustained basis
- Deterioration in asset quality with GNPA of more than 2% on a sustained basis

Analytical approach: Standalone business profile of Abans Finance Private Limited along with operational and managerial linkages with the parent i.e., Abans Holdings Limited.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of sustained scalability of its financial profile along with adequate capital and liquidity buffers.

Detailed description of the key rating drivers:

Key strengths

Experienced management and diversified business profile:

Abans group was founded and promoted by Mr. Abhishek Bansal and under his stewardship, the group of companies have evolved from being a trading house to a diversified business group providing services across value chain of financial services. Abans Holding's Limited (AHL) is the ultimate holding company of the financial services arm of the group. The group deals in equity derivatives, currencies, and commodities in domestic and international markets. AHL holds 93.97% in AFPL as on September 30, 2023.

He is assisted by a team of well qualified and experienced directors, having strong experience in capital markets, compliance, and taxation matters. Group's business line comprises of primarily three segments viz. Agency business, trading business and onward lending business.

Comfortable capital structure:

Tangible network (TNW) of the company increased from ₹214 crore as on March 31, 2022 to ₹303 crore as on March 31, 2023. Abans Holdings Limited. (AHL), parent of AFPL has infused part of its IPO proceeds of ₹80 crore into the company during FY23, is leading to a significant increase in network. CAR and Tier – I ratios stood at 65.97% and 65.79% respectively as on March 31, 2023 [P.Y: 21.11% and 21.04% respectively]. During H1FY24, company reported TNW of ₹307 crore with CAR of 29.59%. Capital adequacy of the company has declined owing to increase in overall loan book which is majorly wholesale in nature. Considering the nature of company's lending operations whereby borrowings are short term, the gearing remains volatile. Company's gearing stood at 1.21x as on March 31, 2023 as against 0.25x as on March 31, 2022 [March 31, 2021: 1.01x] and further increased to 2.06x as on September 30, 2023. During FY23, company has raised ₹261 crore from banks against pledged

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

G-sec, ₹20 crore were raised through promoter and group companies, and ₹31 crore through debt securities. Overall blended cost of funds stood at 9.75% during FY23.

Key weaknesses

Moderate profitability:

The earnings profile and profitability of the company is largely dependent on extending short term on demand loans to group companies. Disbursements of the company increased from ₹434 crore for FY22 to ₹450 crore for FY23. Despite higher disbursements, the AUM has not grown in similar proportion primarily on account of shorter tenor loans of 3 months to 6 months including majority of the working capital exposure being demand loans. NIM has contracted on account of increase in interest expenses during H1FY24 as company witnessed higher borrowings in the form of loans against G-secs. Company reported increase in PAT from ₹4.90 crore on a topline of ₹34 crore for FY22 to ₹8.88 crore on a topline of ₹24 crore for FY23.

During H1FY24, company reported PAT of ₹4.25 crore on a topline of ₹27.87 crore. Annualised ROTA reflects moderation from 1.89% for FY23 to 1.05% for H1FY24.

Moderate size and portfolio volatility:

Abans group was founded in 2005 and has consequently ventured into various businesses including lending and broking. The lending business done under AFPL has gained momentum from FY17. Disbursements increased from ₹434 crore for FY22 to ₹450 crore for FY23, whereas loan book of the company reflected a decline from ₹185 crore as on March 31, 2022, to Rs.174 crore as on March 31, 2023. While decline in the loan outstanding is primarily on account of short tenor of loans (approx. 3 months to 6 months), the company's lending is primarily to group companies due to which it has moderate track record of lending operations to companies outside the group.

Business and client Concentration:

At consolidated level, the overall business and hence earnings profile is volatile due to high reliance on commodity trading business. The business mix comprises of Agency business, proprietary trading business and lending business. As on March 31, 2023, trading business comprises of 94% of the total group's topline, followed by agency business at 4% and lending business at 2%.

At AFPL level, the loan book of the company comprises of working capital and term loans provided by the company to its customers. These products are primarily unsecured in nature. As on March 31, 2023, company had a loan book outstanding of ₹174 crore, of which top 20 customers comprises of 98% of the portfolio. Further, 36% of the total book as on March 31, 2023, was to its group companies which increased to 66% as on September 30, 2023

In terms of its liability profile, 72% borrowings as on March 31, 2023 were through banks against which company has lien marked its investments in the form G-sec, followed by debt securities which stood at 23% [P.Y: 100%] and from promoter and group companies stood at 5%

Liquidity: Adequate

The liquidity profile of AFPL is adequate. As on September 30, 2023, company has reported no negative cumulative mismatches in any of the time buckets. Company's cash and cash equivalent stood at Rs.537 crore as against debt repayments of Rs.556 crore for next one year.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Market Linked Notes](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

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.

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.

For Abans Holdings Limited (Consolidated):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	646	1,164	621
PAT	61.38	70.42	44.22
Interest coverage (times)	3.58	8.86	2.84
Total Assets*	1,203	1,857	2,352
PAT Margins (%)	9.50	6.05	7.12

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available' *net of deferred tax and intangible assets

For Abans Finance Private Limited (Standalone):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	34	24	28
PAT	4.90	8.88	4.25
Interest coverage (times)	3.90	9.64	1.35
Total Assets*	269	670	944
Net NPA (%)	Nil	Nil	Nil
ROTA (%)	1.42	1.89	1.05

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available' *net of deferred tax and intangible assets

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the instrument	ISIN	Date of issuance	Coupon Rate	Maturity Date	Size of Issue	Rating Assigned along with Rating Outlook
					(₹ crore)	
PP-MLD	INE00ZD07413	04-Feb-21	Nifty50 Link	27-Feb-24	0.30	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07439	12-Mar-21	Nifty 50 Link	22-May-24	3.05	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07439	15-Mar-21	Nifty 50 Link	22-May-24	0.30	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07413	16-Mar-21	Nifty50 Link	27-Feb-24	0.20	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07439	30-Mar-21	Nifty 50 Link	22-May-24	1.20	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07439	29-Apr-21	Nifty 50 Link	22-May-24	0.60	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07439	28-May-21	Nifty 50 Link	22-May-24	0.10	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07520	06-Dec-21	Nifty 50 Linked	16-Jan-25	1.00	CARE PP-MLD BBB-; Stable
PP-MLD	INE00ZD07165	28-Feb-20	Equity Linked	13-May-23	0.00	Withdrawn
PP-MLD	INE00ZD07389	11-Sep-20	Nifty 50 Index Linked	26-Oct-23	0.00	Withdrawn
PP-MLD	INE00ZD07389	29-Oct-20	Nifty 50 Index Linked	26-Oct-23	0.00	Withdrawn
PP-MLD	INE00ZD07405	11-Dec-20	Nifty 50 Index	03-Jan-24	0.00	Withdrawn
PP-MLD	INE00ZD07405	17-Dec-20	Nifty 50 Index	03-Jan-24	0.00	Withdrawn
PP-MLD	INE00ZD07405	30-Dec-20	Nifty 50 Index	03-Jan-24	0.00	Withdrawn
PP-MLD	INE00ZD07405	27-Jan-21	Nifty 50 Index	03-Jan-24	0.00	Withdrawn
PP-MLD	INE00ZD07488	17-Jun-21	Nifty 50 Index Linked	11-Mar-23	0.00	Withdrawn
PP-MLD	INE00ZD07488	23-Jun-21	Nifty 50 Index Linked	11-Mar-23	0.00	Withdrawn
PP-MLD	INE00ZD07488	29-Jun-21	Nifty 50 Index Linked	11-Mar-23	0.00	Withdrawn
PP-MLD	INE00ZD07488	15-Jul-21	Nifty 50 Index Linked	11-Mar-23	0.00	Withdrawn
PP-MLD	INE00ZD07488	29-Jul-21	Nifty 50 Index Linked	11-Mar-23	0.00	Withdrawn
PP-MLD	INE00ZD07504	25-Aug-21	Nifty 50 Index Linked	13-May-23	0.00	Withdrawn
PP-MLD	INE00ZD07504	06-Sep-21	Nifty 50 Index Linked	13-May-23	0.00	Withdrawn
PP-MLD	INE00ZD07512	24-Sep-21	Nifty 50 Linked	17-Jun-23	0.00	Withdrawn
PP-MLD	INE00ZD07512	23-Nov-21	Nifty 50 Linked	17-Jun-23	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Market Linked Debentures	LT	-	-	-	1)Withdrawn (23-Feb-23)	1)CARE PP-MLD BBB-; Stable (25-Feb-22)	1)CARE PP-MLD BBB-; Stable (02-Mar-21)
2	Debentures-Market Linked Debentures	LT	6.75	CARE PP-MLD BBB-; Stable	-	1)CARE PP-MLD BBB-; Stable (23-Feb-23)	1)CARE PP-MLD BBB-; Stable (25-Feb-22)	1)CARE PP-MLD BBB-; Stable (02-Mar-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Complex

Annexure-5: Lender details

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

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

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About us:

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