

Abans Finance Private Limited
February 21, 2020

Ratings

Facilities	Amount (Rs. Crore)	Rating	Remarks
Proposed Bank Facilities	5.00	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Re-affirmed
Total facilities	5.00 (Rs. Five Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has taken a consolidated view of Abans Holding Private Limited [(AHPL), erstwhile Abans Vanijya Private Limited], the holding company of Abans Finance Private Limited (AFPL) for the rating of the bank facilities. The rating takes into account the experienced management of Abans Group, comfortable gearing and capitalization and healthy profitability of the group and presence of the Abans group across the business segments including processing, trading and financing. In addition it also factors in comfortable capitalization and asset quality of AFPL. However, the rating is constrained due to high dependence on revenue from trading activities which have inherent volatility, higher share of profits contributed by single company in a group, moderate track record of the group, client concentration and low seasoning in the loan portfolio of AFPL given the growth in loan portfolio in the recent years.

Key Rating Sensitivities*Positive Factors*

- Continues capital infusion at the group level
- Granularity of the loan portfolio
- Growth in profitability levels at the group level with diversified contribution

Negative Factors

- Growing share of profit from a single company
- Increase in gearing level of the group beyond 3x
- Weakening of asset quality at AFPL levels with GNPA exceeding 3%

Detailed description of the key rating drivers**Key Rating Strengths*****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.

Comfortable gearing and capitalization

On a consolidated basis, Overall gearing of AHPL stood at 1.24 times as on March 31, 2019 as compared to 0.37 times as on March 31, 2018. Compulsorily Convertible Preference Shares (CCPS) of Rs.139.40 crore that was invested in AFPL during FY18 was converted to equity in FY19 with a fresh equity infusion of 98.93 crore. Thus, the consolidated tangible net worth of AHPL (including minority interest) stood at Rs. 417 crore as on March 31, 2019. The rise in the gearing levels was due to the rise in the borrowings during FY19 at the consolidated level which stood at Rs. 460 crore as on March 31, 2019 as compared to Rs. 48 crore as on March 31, 2018.

On a standalone basis, the total Capital adequacy ratio (CAR) and Tier I CAR stood at 21.70% and 21.36% respectively as on March 31, 2019 which was above the regulatory requirement of 15% for NBFC. As on September 30, 2019, the CAR and Tier I CAR stood at 20.71% and 20.37% respectively. AFPL's gearing ratio stood at 0.88 times as on March 31, 2019 as compared to Nil as on March 31, 2018.

Increasing trend in profitability

On a consolidated basis, in FY19, AHPL reported Profit after Tax (PAT) of Rs. 34.7 crore on total income of Rs. 134.1 crore. (PAT of Rs. 26 crore on total income of Rs. 75.6 crore in FY18).

However, on consolidated level, majority of the profit is derived from Abans Middle East DMCC, Dubai (AMED), AMED is primarily into commodities and currency trading both on and off exchanges globally and reported PAT of Rs. 27.8 crore in FY19. (PAT of Rs 21.8 crore in FY18). AMED is a step down subsidiary of AFPL.

On a standalone basis, in FY19, AFPL reported PAT of Rs. 0.99 crore on total income of Rs. 21.29 crore. (PAT of Rs.0.41 crore on total income of Rs. 14.97 crore in FY 18).

Diversified business profile

The group 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. Through the NBFC, the group is also involved in lending loans both secured and unsecured to high net worth Corporates and also is involved in agri-commodity business. The group is also involved in providing commodity, currency and equity broking services and has made efforts in becoming a power-house of financial services offering the entire gamut of services catering to high net worth Corporates, retail investors, domestic institutions & foreign institutional investors, whereby it provides its customers with full access to Equity Derivative Markets, Off-shore investments & Investment Banking.

ABans Global Limited (AGL), UK based entity of the group which is engaged in the Brokerage business has the membership of Dubai Gold and Commodity Exchange and London Metal Exchange and during the previous fiscal become member of the Dalian Commodity Exchange, Dalian, China and Shanghai International Energy Exchange, Shanghai, China. These membership would lead to increase in business and brokerage income to AGL and income of the ABans Group. Additionally, the group has recently forayed into wealth management business.

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

Comfortable Asset Quality of AFPL

The Gross NPA % and Net NPA % of AFPL remains 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

A significant proportion of AHPL's revenue comprises of trading income which is volatile in nature. During FY19, on a consolidated basis, AHFL earned total income of Rs.134.1 crore of which trading income accounted for 79% of the total income as against the total income of Rs. 75.6 crore in FY 18 of which trading income accounted for 66% of the total income. Sharp volatility witnessed in the capital markets can lead to volatility in the income profile of the company. Interest income and fee income accounted for 15% and 0.5% respectively.

Higher share of profits from a single company in a group

On a consolidated basis, AHPL reported a PAT of Rs. 34.7crore on a total income of Rs. 134.1 crore in FY19. Of the total PAT of Rs. 34.7crore, approximately Rs. 27.8 crore i.e. 80% is contributed by Abans Middle East (DMCC) (Dubai).This company is engaged in trading of commodities and currencies and is set up in Dubai. It is managed by a Mr. Dipeshkumar Vyas along with 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.

Moderate track record of the group

Abans group was founded in 2005 and has consequently ventured into various businesses primarily being lending and broking. The company has started designing of jewellery, refining of gold dore bars since 2014 and also providing warehousing facilities. The lending business done through AFPL has gained momentum only from FY17 and thus is in nascent stage of operation considering the portfolio and profitability.

Client Concentration in AFPL

AFPL is engaged in the business of lending loans both secured and unsecured to high net worth Corporates. The borrower companies are engaged in the business of technology, gems & jewelleryes and broking & commodity. The top 10 exposures as on September 30, 2019 account for 98% of the total loan portfolio and 1.51x of the tangible net worth as on September 30, 2019. The top exposure accounts for 28% of the total loan portfolio which is to related party of Abans group and 43% of the tangible net worth as on September 30, 2019. Around 32% of the loan portfolio as on September 30, 2019 is to the related parties which are related companies of Abans group. Around 40% of the loan portfolio as on September 30, 2019 is unsecured in nature.

Liquidity Profile of AFPL: Adequate

The ALM of AFPL as on September 30, 2019 is comfortable with positive cumulative mismatch in all the time buckets. The company has scheduled inflows of the loans and advances which are short term in nature having maturity of upto one year of Rs.426 crore against which the company has Rs.237 crore of scheduled repayment obligation upto one year. Additionally, AFPL enjoys liquidity to the tune of Rs. 37 crore in the form of cash and bank balance as on September 30, 2019.

Analytical approach: Abans Holdings Private Limited (Formerly known as Abans Vanijya Private Limited), is the 92% holding company of Abans Finance Private Limited (AFPL) and the management/line functions for these businesses is common with significant operational and financial integration among them. Accordingly, CARE has considered a consolidated view of AHPL for arriving at the rating of AFPL, Abans Broking Private Limited, Abans Commodities Private Limited and Abans Securities Private Limited. The list of the subsidiaries considered for consolidation are attached as Annexure 3.

Applicable Criteria

[CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Policy of Default Recognition](#)

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

[Financial ratios – Financial Sector](#)

[Consolidation and Factor Linkages in Ratings](#)

Abans Holdings Private Limited (Abans Vanijya Private Limited)

Abans Group of Companies was 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.

Abans Holdings Private Limited (Formerly known as Abans Vanijya Private Limited) (AHPL) is the holding company of Abans Agriwarehousing & Logistics Private Limited and Abans Finance Private Limited (AFPL), which was founded by Mr. Abhishek Bansal in 2008.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total income	75.65	134.1
PAT	26.04	35.1
Interest coverage (times)	2.39	3.37
Total Assets	472.6	1079.8
ROTA (%)	6.00	4.52

Abans Finance Private Limited

Abans Finance Private Ltd. (AFPL) is one of the group entities of Abans group which is RBI registered systemically important not deposit accepting NBFC engaged in Corporate Finance, Project Finance, Trade Finance and providing Business Loans against agri stocks, other financial assets etc. for a short term and is also the holding company for other group entities such as Abans Broking Services Private Limited (ABSPL), Abans Commodities (I) Private Limited (ACPL), Abans Securities Private Limited (ASPL). AFPL is indirectly owned by Mr. Abhishek Bansal through AHPL (AHPL-92% owned by Mr. Abhishek Bansal).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	14.87	21.23
PAT	0.41	0.99
Interest coverage (times)	1.06	1.26
Total Assets	169.56	508.64
ROTA (%)	0.27	0.29

A- Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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 (Proposed)	-	-	-	5.00	CARE BBB-;Stable

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (15-Feb-19)	1)CARE BB+; Stable (01-Feb-18) 2)CARE BB; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE BB+ (21-Apr-16)

Annexure-3: The List of the subsidiaries considered for consolidation as on March 31, 2020

Name of subsidiaries consolidated:	Relation	% of shareholding	
Abans Finance Pvt Ltd	Direct Subsidiary	99.93	India
Zicuro Technologies	Direct Subsidiary	100	India
Lifesurge Biosciences Pvt. Ltd#	Direct Subsidiary	100	India
Abans Jewels Pvt. Ltd*	Direct Subsidiary	100	India
Hydax Enterprises Pvt. Ltd	Direct Subsidiary	91.77	India
Abans Securities Pvt Ltd	Step down Subsidiary	99.97	India
Abans Broking Services Pvt Ltd	Step down Subsidiary	99.96	India
Abans Commodities (I) Pvt Ltd	Step down Subsidiary	99.99	India
Abans Global Broking (IFSC) Pvt Ltd	Step down Subsidiary	100	India
Abans Agriwarehousing Logistics Pvt Ltd	Step down Subsidiary	100	India
Abans Global Ltd	Step down Subsidiary	96.04	UK
Abans Middle East DMCC	Step down Subsidiary	100	UAE
Abans International Ltd	Step down Subsidiary	100	Mauritius

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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