

Abans Finance Private Limited (Revised)

March 02, 2021

Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Principal Protected Market Linked Debenture	20.00 (Rs. Twenty Crore Only)	CARE PP-MLD BBB-; Stable [PP-MLD Triple B Minus; Outlook: Stable]	Reaffirmed
Principal Protected Market Linked Debenture	25.00 (Rs. Twenty-Five Crore Only)	CARE PP-MLD BBB-; Stable [PP-MLD Triple B Minus; Outlook: Stable]	Assigned
Total	45.00 (Rs. Forty-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), the holding company of Abans Finance Private Limited (AFPL) for the rating of the principal protected market linked debenture. The reaffirmation of ratings of Abans Finance Private Limited (AFPL) factor in experienced management of Abans Group, comfortable gearing and capitalization of the group, healthy profitability at the group level, and presence of Abans group across the business segments including trading, financing and advisory services. In addition, it also factors in comfortable capitalization and asset quality of AFPL. The rating however remains constrained by earnings being dependent on trading activities which are inherently volatile, higher share of profits contributed by few companies in the group and moderate track record of the group. The ratings further remain tempered by customer concentration risk and low seasoning in the loan portfolio of AFPL.

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.
- Continued capital infusion at the group level
- 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%.
- Increase in client concentration in the portfolio of AFPL

Detailed description of the key rating drivers
Key Rating Strengths
Experienced management

Founded by Mr. Abhishek Bansal and under his stewardship, Abans group of companies has evolved from being 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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

assisted by a team of well qualified and experienced directors, having strong experience in capital markets, compliance and taxation matters.

Comfortable gearing at group level

On a consolidated basis, tangible net worth of AHPL improved by Rs.176 crore from Rs.409 crore outstanding as on 31st March 2019 to Rs. 585 crore outstanding as on 31st March 2020. Net worth improved due to retention of profits of Rs 77 crore in FY20 and infusion of capital in form of Rs 40 crore in form of Compulsory Convertible Debentures. Majority borrowings on the balance sheet was borrowings of AFPL of Rs.238 crore (Rs.237 crore in FY19) of the total borrowing of AHPL. Around Rs.159 crore were in form of Market linked notes and NCD's and Rs.77 crore were in form of ICD's. Borrowings for working capital, reduced by around Rs.75 crore from Rs.115 crore in FY19 to Rs.40 crore in FY20. Thus, on a consolidated basis, overall gearing of AHPL improved from 1.03x as on March 31, 2019 to 0.54x as on March 31, 2020.

For H1FY21, overall gearing further improved to 0.45x due to retention of profits of Rs. 45 crore and decrease in borrowing levels due to repayment of ICD's.

AFPL's standalone tangible net worth stood at Rs. 271 crore as on March 31, 2020 vis-à-vis at Rs.277 crore as on September 30, 2020. On a standalone basis, the total Capital adequacy ratio (CAR) stood at 25.50% and 29.98% as on March 31, 2020 and September 30, 2020 respectively which is comfortable above the regulatory requirement of NBFCs.

Presence of the group across business segments

It is a globally diversified organisation engaged in Investment Management, Trading, Broking, Gold Refining, Non-Banking Financial Services, Agri-Commodity Trading & Services, Warehousing, Pharmaceuticals Distribution, Software Development, and Real Estate Development.

The group undertakes trading in various commodities including Gold, Castor seed, Jeera, Chana, Coriander, R.M. Seed, Turmeric, Cotton Oil Cake in both the derivative and physical segments. It has diversified its business into Non-Banking Financial services through lending loans to secured and unsecured high net worth corporates. The group is also involved in providing commodity, currency and equity broking services. It tries to cater to customers across value chain of financial services with respect to managing funds through arbitrage activities, providing broking service for transactions, providing warehousing services and deployment of funds in various instruments.

The Group has wide experience in 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. Additionally, the group has recently forayed into wealth management business.

Improving but fluctuating profitability due to trading nature of business

On a consolidated basis in FY20, topline reduced from ~40% for AHPL as it divested its holding in Abans Jewels Private Limited (AJPL), Zicuro Technologies (Fintech) and Life Surge Biosciences Pvt Ltd. The trading activity of AJPL used to contribute significantly to the topline however it is not reflected in FY20 numbers.

As major expense for purchase of stock in trade, constituted 95% of the total expense in FY20 (98% in FY19), improved by 8% Y-o-Y the gross profit levels improved from Rs.134 crore in FY19 to Rs. 216 crore in FY20. The remaining operating expense constituted of employee benefit expense, establishment expense and other expense which constituted of 3% in FY20 (1% in FY19). Thus, the PBILDT margins improved from 1.20% in FY19 to 5.06% in FY20. Finance cost made about 2% of the total expense in FY20. PAT Improved from Rs. 32 crore for FY19 to Rs. 77 crores for FY20 and PAT margins on a consolidated basis improved from 0.72% in FY19 to 2.72% in FY20.

Reported PBILDT and PAT levels on a provisional basis for H1FY21 was Rs. 65 crore and Rs. 59 crores respectively. Reported PBILDT margins and PAT margins were 5.69% & 3.95%.

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.

At a standalone level for AFPL, the loan portfolio with a select group of borrowers remained steady at Rs. 423 crore as on 30th September 2020 vis-à-vis Rs.429 crore as on 31st March 2020. The reported NIM of AFPL stood at 4.67% as on September 30, 2020 vis-a-vis 4.19% as on March 30, 2020.

AFPL reported PAT of Rs.5.08 crore in H1FY21 vis-à-vis Rs.3.00 crore in FY20. Thus, ROTA of the company has improved from 0.51% as on March 31, 2020 to 1.98% as on September 30, 2020.

Comfortable Asset Quality of AFPL

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 AHPL, in FY20, 97% of income derived from trading in commodities and derivatives, profitability of which is volatile in nature. 2% of total income constituted of interest income (from AFPL). Remaining 1% of the revenue comes from other advisory services. Sharp volatility in the capital markets may lead to volatility in the income profile of the company.

Higher share of profits from few company's in a group

Of the total PAT of Rs. 76.76 crore, approximately Rs. 57.69 crore (conversion as on March 31, 2020) i.e. approx. total 75% is contributed by Abans Middle East (DMCC) (AMED-42%) and Abans Broking Services Pvt Ltd (ABSPL-32%) in FY20.

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 AFPL.

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 lending business done through AFPL has gained momentum only from FY17 and thus is in nascent stage of operation considering the portfolio and profitability.

Low seasoning and 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 & jewelleries and broking & commodity. The top 20 exposures as on March 30, 2020 account for 100% of the total loan portfolio and 1.53x of the tangible net worth. The top exposure accounts for 29% of the total loan portfolio which is to a related party of Abans group and amounts to 46% of the tangible net worth as on March 30, 2020. Around 57% of the loan portfolio is unsecured in nature. Top 20 exposures accounted for about 100% of the total portfolio as on 30th September 2020.

Liquidity Position - Adequate

On a consolidated basis, as on 30th September 2020, AHPL had reported cash and cash equivalents of R.170 core on its books.

The ALM of AFPL as on January 31, 2021 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.388 crore against which the company has repayment of Rs.6.77 crore in 1 year bucket. Total of NCD's worth Rs.6.77 crore are maturing in calendar of 2021 for AFPL of which listed MLDs account to Rs.3.80 crore.

Impact of Covid-19

The business of trading in debentures, securities and derivative contracts on recognised stock exchanges and software development does not have any impact of Covid-19. There has been less material impact in the workings and systems of the company. The group's assets are mainly in the form of inventory for trading and profile of borrowers of AHPL is that of Traders and HNI clients engaged in business of agri and other commodities, and they have not been significantly impacted by the lockdown in various parts of the country.

Analytical approach:

Abans Holdings Private Limited, is the 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 Services Private Limited (ABSPL), Abans Commodities (India) Private Limited (ACIPL) and Abans Securities Private Limited (ASPL). The list of the subsidiaries considered for consolidation are attached as Annexure-3.

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: Consolidation](#)

About Abans Holdings Private Limited (AHPL)

Abans Holdings Private Limited (Formerly known as Abans Vanijya 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)
Total income	4380	2824
PAT	32	77
Total Assets	1087	1213
Interest coverage	3.04	2.93
PAT / Total Income	0.72	2.72

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 Corporate Finance, Trade Finance, agri stocks 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 (ACIPL), 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) (Standalone)	FY19 (A)	FY20 (A)
Total income	21	49
PAT	1	3
Total Assets	509	513
ROTA (%)	0.29	0.51
RONW (%)	0.45	0.96

A: Audited (Figures as per Ind AS)

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: Not Applicable

Annexure – 1: Details of instruments / facilities

Name of the Instrument	ISIN	Date of Issuance	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Market Linked Debentures-MLD	INE00ZD07165	28-Feb-20	13-May-23	4.00	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07330	7-Jul-20	27-Jul-21	2.00	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	24-Aug-20	15-Feb-22	0.20	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07371	31-Aug-20	19-Dec-21	0.47	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	10-Sep-20	15-Feb-22	1.35	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07389	11-Sep-20	26-Oct-23	1.40	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07371	15-Sep-20	19-Dec-21	1.23	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	21-Sep-20	15-Feb-22	0.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	30-Sep-20	15-Feb-22	0.20	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	21-Oct-20	15-Feb-22	0.80	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07371	22-Oct-20	19-Dec-21	0.10	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07389	29-Oct-20	26-Oct-23	0.10	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	4-Nov-20	15-Feb-22	2.20	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07397	10-Dec-20	31-Dec-22	0.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07405	11-Dec-20	03-Jan-24	0.60	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07397	16-Dec-20	31-Dec-22	0.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07405	17-Dec-20	03-Jan-24	0.10	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	18-Dec-20	15-Feb-22	1.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07405	30-Dec-20	03-Jan-24	0.32	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	31-Dec-20	15-Feb-22	0.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07363	15-Jan-21	15-Feb-22	0.61	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07405	27-Jan-21	03-Jan-24	0.10	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07413	4-Feb-21	27-Feb-24	0.30	CARE PP-MLD BBB-; Stable
MLD	INE00ZD07421	5-Feb-21	22-Jul-22	0.58	CARE PP-MLD BBB-; Stable
MLD	Proposed	-	-	0.84	CARE PP-MLD BBB-; Stable
MLD	Proposed	-	-	25.00	CARE PP-MLD 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Market Linked Debentures	LT	20.00	CARE PP-MLD BBB-; Stable	-	1)Assigned (03-Mar-20)	-	-
2.	Debentures-Market Linked Debentures	LT	25.00	CARE PP-MLD BBB-; Stable	-	-	-	-
3.	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)Withdrawn (03-Mar-20)	1)CARE BBB-; Stable (15-Feb-19)	1)CARE BB+; Stable (01-Feb-18)

						2)CARE BBB-; Stable (21-Feb-20)		2)CARE BB; Issuer not Cooperating (11-Apr-17)
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Annexure 3: List of subsidiaries considered for consolidation as on March 31, 2020

Company	Relation	% of shareholding	Country of incorporation
Abans Finance Pvt Ltd	Direct Subsidiary	91.77	India
Abans Agriwarehousing & Logistics Pvt Ltd	Direct Subsidiary	100	India
Abans Capital Pvt Ltd (Hydax Enterprises Pvt. Ltd)	Direct Subsidiary	91.77	India
Abans Jewels Private Limited*	Direct Subsidiary	0.00	India
Zicuro Technologies*	Direct Subsidiary	0.00	India
Lifesurge Biosciences Pvt. Ltd*	Direct Subsidiary	0.00	India
Abans Securities Pvt Ltd	Subsidiary of AFPL	91.77	India
Abans Broking Services Pvt Ltd	Subsidiary of AFPL	91.77	India
Abans Commodities (I) Pvt Ltd	Subsidiary of AFPL	91.77	India
Abans Global Broking (IFSC) Pvt Ltd	Subsidiary of ABPL	91.77	India
Abans Global Ltd	Subsidiary of ABPL	89.45	UK
Caspian HK Trading Limited	Subsidiary of ABPL	91.77	Hong Kong
Irvin Trading Pte Limited	Subsidiary of ABPL	91.77	Singapore
Abans Middle East DMCC	Subsidiary of AGL	91.77	UAE
Abans International Ltd	Subsidiary of AGL	89.45	Mauritius
Abans Global Trading DMCC	Subsidiary of AGL	89.45	UAE

* These subsidiaries are sold during the period and hence results are consolidated from the beginning of the year to till the date of sale of subsidiaries.

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

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

Annexure 5: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

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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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.

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