

ABans Finance Private Limited

February 15, 2019

Ratings

Facilities	Amount (Rs. Crore)	Rating	Remarks
Bank Facilities	5.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; Stable (Double BB Plus; Stable)
Total	5.00 (Rs. Five Crore only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in the rating factors in the comfortable capitalization post infusion of funds during FY18, continuing to maintain healthy profitability and presence across business segments including processing, trading and financing of the Abans group. The rating continues to factor in experienced management. 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 and moderate track record of the group. Steady profitability and gearing levels are the key rating sensitivities.

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

Overall gearing of the group on a combined basis was 0.39 times as on March 31, 2018 (2.14 times as on March 31, 2017). The borrowings of the group reduced from Rs. 238.18 crore as on March 31, 2017 to Rs. 66.02 crore as on March 31, 2018. The tangible net worth of the group stood at Rs.352 crore as on March 31, 2018 as compared to Rs.117 crore as on March 31, 2017. There was a capital infusion in AFPL in the form of Compulsorily Convertible Preference Shares (CCPS) by Teesta Retail Private Limited of Rs.139 crore of which there was a fresh infusion of Rs. 63 crore and the balance Rs.76 crore was an ICD by Teesta that was converted to CCPS. The group uses borrowings primarily for working capital requirements.

On a standalone basis, AFPL's gearing ratio was Nil as on March 31, 2018 (3.22 times as on March 31, 2017) as the Tangible net worth stood at Rs. 168.29 post the infusion of funds and the company repaid the borrowings as on March 31, 2018. The company plans to maintain the leverage at 1x in the coming years.

Maintaining healthy profitability

On a combined basis, in FY18, the group reported PAT of Rs. 27.72 crore on total income of Rs.90.63 crore (PAT of Rs.25.69 crore on total income of Rs.66.73 crore in FY17). 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 21.8 crore in FY18 (PAT of Rs. 22.32 crore in FY17).

On a standalone basis, in FY18, AFPL reported PAT of Rs.0.41 crore on total income of Rs. 14.97 crore (PAT of Rs.0.33 crore on total income of Rs.9.64 crore in FY17).

Diversified business profile within commodity and metals space

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. The group also undertakes manufacturing of gold jewellery and started Gold Dore Refinery plant in Rudrapur, Uttarakhand in FY17, where the group manufactures refined Gold Bars. The company is planning to sell gold coins and gold bars under its own name shortly. 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 current year 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.

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

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 FY18, on a combined basis, Abans group earned total income of Rs.90.63 crore of which trading income accounted for 58% of the group's total income as against 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. Interest income and fee income accounted for 16% and 1 % respectively.

Higher share of profits from a single company in a group

On a combined basis, Abans group reported a PAT of Rs. 27.72 crore on a total income of Rs. 90.63 crore in FY18. Of the total PAT of Rs. 27.72 crore, approximately Rs. 21.8 crore i.e. 84% 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 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. The infusion of capital in FY18 will boost the lending business as the group has strategized to use the capital only for the growth of business and no flow down of capital into the subsidiaries of AFPL is planned for near future.

Analytical approach: CARE has taken a combined financial and business profile of companies within Abans group as the companies have common management and similar line of businesses.

Applicable Criteria

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

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

[Financial ratios – Financial Sector](#)

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

Background of Abans Finance 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 Finance Private Ltd. (AFPL) is one of the group entities of Abans group which is RBI registered non- systemically important not deposit accepting NBFC engaged in Corporate Finance, Project Finance, Trade Finance and providing Business Loans against collateral security of immovable property, agri stocks, liquid assets like shares, other financial assets, gold jewelry, 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), Abans Agri Warehousing and Logistics Private Limited.

AFPL is indirectly owned by Mr. Abhishek Bansal through Abans Vanijiya Private Limited (AVPL-100% owned by Mr. Abhishek Bansal). AVPL does not have any operations.

Abans Finance Private Limited

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	9.64	14.97
PAT	0.33	0.41
Interest coverage (times)	1.07	1.06
Total Assets	127.33	169.56
ROTA (%)	0.28	0.27

Combined Financials of Abans Group

Brief Financials (Rs. crore)	FY17 (UA)	FY18 (UA)
Total operating income	66.73	90.63
PAT	25.69	27.72
Interest coverage (times)	2.17	2.13
Total Assets	463.32	582.78
ROTA (%)	5.60	5.30

UA- Unaudited (combined)

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.

Analyst Contact:

Name: Mr Ravi Kumar

Tel: 022-6754 3421

Mobile: +91 9004607603

Email: ravi.kumar@careratings.com

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

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 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		1)CARE BB+; Stable (01-Feb-18) 2)CARE BB; ISSUER NOT COOPERATING* (11-Apr-17)	1)CARE BB+ (21-Apr-16)	-	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 9198190 09839

E-mail: meenal.sikchi@careratings.com**Mr. Ankur Sachdeva**

Cell: + 9198196 98985

E-mail: ankur.sachdeva@careratings.com**Ms. Rashmi Narvankar**

Cell: + 9199675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

Email: anand.jha@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691