



## Press Release

### Agriwise Finserv Limited (AFL)

*(Erstwhile StarAgri Finance Limited)*

October 06, 2021

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Non-Convertible Debentures (NCD)	10.00	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed
Proposed Non- Convertible Debentures (NCD)	40.00	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed
Long term Bank Facilities – Term Loans	79.54	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed
Long term Bank Facilities – Proposed Term Loan	220.46	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with	Reaffirmed



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		Developing Implication)	Developing Implication)	
Long term Bank Facilities – Cash Credit	50.00	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	IVR BBB-/ Credit Watch with Developing Implication  (IVR Triple B Minus Credit Watch with Developing Implication)	Reaffirmed
<b>Total</b>	<b>400.00</b>			

**Details of facilities are in Annexure 1**

### Detailed Rationale

The rating reaffirmed to the bank facilities of Agriwise Finserv Limited (AFL) continues to derive comfort from Experienced management, Diverse borrowing profile and improvement in debt protection metrics. However, ratings are constrained on account of moderation in profitability as well as asset quality and credit risk concentration. Further it factors in Continued de-growth in loan portfolio and sharp increase in NPAs. Further

Further rating has been placed under credit watch with developing implication to monitor the asset quality i.e., Gross NPAs & Net NPAs and to monitor the growth in loan portfolio.

### Key Rating Sensitivities:

#### Upward Factor:

- Growth in loan portfolio along with increase in profitability.
- Improvement in asset quality parameters with GNPA below 3% on a sustained basis.

#### Downward Factor:

- Weakening of credit profile and decline in asset quality.
- Deterioration in the capitalization levels.

### Detailed Description of Key Rating Drivers



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### Key Rating Strengths

#### Experienced management

The Managing Director of the company is Mr. Suresh Goyal who has more than 3 decades of experience in agriculture and farming related businesses like agri-financing, agri-procurement, commodity trading and warehousing. He has been associated with leading corporates in advisory and consulting roles. Mr. Amit Kumar Goyal who is Executive Director of the company who oversees administration and operations at AFL. Mr. Amith Agarwal handles corporate tie-ups and legal and financial matters along with Business Development activities of AFL.

#### Diverse borrowing profile

AFL enjoys good financial flexibility, being a part of Agriwise Group, they have access to funds from diversified entities comprising of banks and other lenders, including SBI, Dena Bank, Corporation Bank, Bank of Maharashtra, Indian Bank and Canara Bank among others; providing them access to funds from a diverse group at competitive interest rates. The cost of borrowings for the company has been within the range of 10%-13%.

#### Decline in leverage and improvement in debt protection metrics

The total debt of the company (largely consisting of term debt) has been declined from INR241.61 crore in FY20 to INR201.19 crore in FY21, leading to an improvement in the overall gearing ratio from 1.47x in FY20 to 1.21x in FY21. The interest coverage ratio remains largely similar at 1.20x at the end of FY21.

### Key Rating Weaknesses

#### Continued de-growth in loan portfolio and moderation in profitability

AFL loan portfolio has seen a decline over the past three years on account of a cautious approach followed by the company due to sharp increases in NPAs in this lending segment. The loan portfolio has declined by 27% in FY20 from INR454.41 crore in FY19 to INR331.52 crore in FY20, declining further by 1.88% to INR325.30 crore in FY21. This is also evident with the decline in total income over the past three fiscals from INR73.59 crore in FY19 to INR68.49 crore in FY20 to INR54.48 crore in FY21, PAT has declined from INR5.86 crore in FY20 to INR3.37 crore in FY21.



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### **Credit risk concentration**

The target borrower segment, comprising entities in the agriculture segment, specifically targeting borrowers with a modest credit profile who are susceptible to commodity price fluctuation risk and risks of adverse weather conditions. The company has identified value chains in the agriculture segment and geographies based on their own experience and consumer credit behaviour, although focusing on value chains have helped them in creating an expertise in that segment. Their loan origination factors in the prospective borrower's within the agri value chain and their past transaction history, apart from the credit bureau checks and the financial assessment. Concentration on any one asset segment/sector is deemed to be riskier as any unexpected changes in the market or regulatory dynamics could impact the earnings performance of the company.

### **Moderate Asset Quality**

Owing to gradual seasoning of the portfolio, the company witnessed jump in NPAs during FY20, leading to Gross NPA increase from Rs.12.01 crore to Rs.26.61 crore due to incremental slippages of Rs.22.86 crore. Accordingly, the company's Gross and Net NPA ratios is 7.46% and 6.22% respectively as on March 31, 2020. Further, the Gross NPA and Net NPA ratios stood higher at 6.96% and 3.46% respectively as on March 31, 2021.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Non-Banking Financial Companies

Financial Ratios & Interpretation (Financial Sector)

### **Liquidity - Stretched**

Liquidity is stretched given the Asset Liability Mismatch (ALM) profile of the company as on March 31st, 2021 had negative cumulative mismatch of Rs. 17.08 crores in the 6 months to 1 year time bucket considering long term payable at the end of the year. Considering the overall challenging fund-raising scenario, roll over of existing facilities and getting incremental borrowing facilities remain critical for liquidity profile of the company.



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### About the Company

Agriwise Finserv Limited (AFL) (Erstwhile StarAgri Finance Limited), the company was renamed in FY20 and was incorporated in March 1995 post acquisition of a Baroda-based NBFC named Raylight Leasing and Finance Limited by Star Agriware housing and Collateral Management Limited during FY15 (Parent company of AFL). The company is in the business of providing agri-based loans, warehousing receipt finance, secured term loans, unsecured term loans and flexi loans. The company re-started its operations under the current management in February 2015. Currently, the company has 25 branches/spokes across 6 states in the country.

### Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	68.49	54.48
PAT	5.86	3.37
Tangible Net Worth	163.94	165.95
Total Loan Assets	331.52	325.30
ROTA (%)	1.30	0.87
Total CAR (%)	48.37	47.63
Gross NPA (%)	7.46	6.96
Net NPA (%)	6.22	3.46

\* Classification as per Infomerics' standards

**Details of Non-Co-operation with any other CRA: Nil**

**Any other information: N.A.**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: September 17, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated: September 22, 2020)	Date(s) & Rating(s) assigned in 2020-21 (Dated: July 02, 2020)
1.	Non-Convertible Debentures (NCD)	Long Term	10.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	IVR BBB/ Negative Outlook
2.	Proposed Non-Convertible Debentures (NCD)	Long Term	40.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	IVR BBB/ Negative Outlook
3.	Fund Based Facility – Term Loan	Long Term	79.54	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	-
4.	Fund Based Facility – Proposed Term Loan	Long Term	220.46	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	-
5.	Fund Based Facility – Cash Credit	Long Term	50.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB/ Negative Outlook	-

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### About Infomerics:





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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (NCD)	-	12%	3 Years	10.00	IVR BBB-/ Credit Watch with Developing Implication
Proposed Non-Convertible Debentures (NCD)	-	-	-	40.00	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Term Loan	-	-	Upto September , 2024	79.54	IVR BBB-/ Credit Watch with Developing Implication
Long Term Fund Based Facility – Proposed Term Loan	-	-	-	220.46	IVR BBB-/ Credit Watch with Developing Implication



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Long Term Fund Based Facility – Cash Credit	-	-	-	50.00	IVR BBB-/ Credit Watch with Developing Implication
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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/agriwise-finserv-lenders-oct21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**

- To maintain the value of security at all times equal to 1.1 (One decimal point one) time or 110.0% (One hundred and ten percent) the aggregate amount of principal and interest outstanding of the NCDs where at least 1.1 (One decimal point one) time or 110.0% (One hundred and ten percent) of the security cover is from principal and interest receivables.
- Minimum CRAR as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Working capital (CC)	Simple
3.	Non-Convertible Debentures	Simple

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).