



12th July, 2024

To,
The Manager (CRD),
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code: 508954

Dear Sir/Madam,

Sub: Credit Rating intimation under Regulation 30 of SEBI (LODR) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CRISIL Ratings Limited (“CRISIL”) has assigned the rating of the long-term bank facilities availed by the Company.

The rating documents issued by CRISIL Ratings Limited (“CRISIL”) is enclosed.

This is for your information and record.

Thanking you.

Yours faithfully,

For Finkurve Financial Services Limited



Sunny Parekh
Company Secretary & Compliance Officer
ACS 32611

Rating Rationale

July 11, 2024 | Mumbai

Finkurve Financial Services Limited

'CRISIL BBB/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.125 Crore
Long Term Rating	CRISIL BBB/Stable (Assigned)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB/Stable**' rating to the long-term bank facility of Finkurve Financial Services Ltd (FFSL).

The company, also known by its brand name [], was set up in 1984 as Sanjay Leasing Ltd. It received non-banking financial company (NBFC) license from the Reserve Bank of India (RBI) in 1998. FFSL was acquired by Mr Ketan Kothari (current promoter) in 2010, who has experience of more than two decades in the precious metals and finance industry. The promoter group held 58.9% stake in the company as on March 31, 2024. The company started offering retail loans in 2019 on pilot basis and gold loans from October 2020.

It is a part of the Augmont group, India's premier bullion trading entity. The Augmont group has a comprehensive gold ecosystem that spans from importing and refining raw gold into fine bars and distributing physical and digital gold to jewellers and retailers. The group comprises Augmont Enterprises Pvt Ltd, which specialises in business-to-business (B2B) bullion trading, and Augmont GoldTech Pvt Ltd, which serves as a direct-to-consumer brand offering a holistic range of products and services for all gold-related needs.

FFSL started offering personal loans and SME loans in fiscal 2020 through partnership with fintech companies. In fiscal 2021, the company partnered with Augmont Gold for All to offer retail gold loans.

The company's assets under management (AUM) stood at Rs 259.5 crore as on March 31, 2024. Its portfolio comprised gold loans (74.7%), personal loans (13.5%) and small and medium enterprise (SME) loans (11.6%) as on March 31, 2024. Average ticket size for gold loans and retail loans was Rs 150,000 and Rs 8,000, respectively, with tenure of 3-6 months for gold loans and 25 days for retail loans in fiscal 2024.

The rating factors in the company's adequate capital position supported by comfortable earnings profile, and strong promoter profile and experienced management. Capitalisation was adequate, as reflected in networth of Rs 188.7 crore and gearing of 0.4 time as on March 31, 2024. Top management comprises experienced personnel, including Mr Amit Shroff, CEO, and Mr Aakash Jain, CFO.

These strengths are partially offset by small scale of operations, limited seasoning of portfolio and modest resource profile.

CRISIL Ratings takes note of the advisory sent to a few NBFCs engaged in the gold loan business, wherein the NBFCs have been asked to adhere to the provisions of the Income Tax Act, which essentially stipulate that no individual should receive more than Rs 20,000 in cash. This effectively means gold loan disbursements of more than Rs 20,000 need to be compulsorily made through the banking route (such as NEFT, RTGS and UPI). Prior to this advisory, CRISIL Ratings understands that NBFCs in the gold loan segment were disbursing loans of Rs 20,000-199,999 in cash, depending on the need of borrowers. Following this advisory, various NBFCs including FFSL have stopped cash disbursements with immediate effect and are streamlining processes to collect bank account details from their customers. So far, there has been no major impact in disbursement of gold loans by FFSL. CRISIL Ratings will, however, continue to engage with FFSL to understand and assess the impact of this advisory or any further regulations on its credit profile.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of FFSL.

Key Rating Drivers & Detailed Description

Strengths:

- Adequate capitalisation supported by comfortable earnings profile:** Capitalisation was adequate, as reflected in networth of Rs 188.7 crore and gearing of 0.4 time as on March 31, 2024. The capital position is supported by steady accretion to reserve. Profit after tax (PAT) and return on managed assets (RoMA) were Rs 16.1 crore and 6.2%,

respectively, in fiscal 2024, compared with Rs 14.3 crore and 6.8%, respectively, in fiscal 2023. As the company is in growth phase, its operating expense remains elevated. FFSL had a network of 78 branches as on March 31, 2024, and plans to increase branches in the near-to-medium term. Ability to sustain profitability as the portfolio scales up will remain a key monitorable. Nevertheless, the company will maintain steady state gearing below 3 times over the medium term. It will maintain adequate capital supported by strong promoter holding.

- **Strong promoter profile and experienced management:** The company has an experienced board of directors and a management with senior-level experience in the financial services sector. It was acquired in 2010 by Mr Ketan Kothari, who has experience of more than two decades in the precious metals and finance industry. Currently, he is the Joint National Secretary of Indian Bullion & Jewellers Association (IBJA). He is also a promoter in Augmont Enterprises Pvt Ltd and Augmont GoldTech Pvt Ltd.

The promoter group held 58.9% stake as on March 31, 2024. The top management includes experienced personnel, including Mr Amit Shroff, who has experience of over 13 years in the NBFC domain, and Mr Aakash Jain, with experience of over 10 years in finance. The management has developed good systems and processes in terms of sourcing, credit underwriting and client servicing and reporting.

Weaknesses:

- **Small scale of operations and limited seasoning of portfolio:** The company's AUM stood at Rs 259.5 crore as on March 31, 2024, which grew ~16% from Rs 224.1 crore as on March 31, 2023. The portfolio of the company comprised gold loans (74.7%), personal loans (13.5%) and SME loans (11.6%) as on March 31, 2024. The average tenure of loans offered by the company was 25 days for personal loans and 3-6 months for gold loans. Disbursements were Rs 704.5 crore as on March 31, 2024, as against Rs 348.7 crore as on March 31, 2023. The SME book will remain small as the company will focus only on gold and personal loans over the medium term.

Gross non-performing assets and net non-performing assets were 2.0% and 1.5%, respectively, in fiscal 2024, compared with 2.1% and 1.1%, respectively, in fiscal 2023 (12.1% and 8.7%, respectively, in fiscal 2022). Overall 90+ days past due (dpd) improved to 2.1% and 1.98% in fiscals 2023 and 2024, respectively, from 19.2% in fiscal 2022. Asset quality is supported by three-fourths of the company's loan book being secured. Given the company is in early stage of operations, there is limited seasoning in the portfolio. Therefore, the ability of the company to maintain portfolio quality amid growing scale of operations will be a key rating sensitivity factor.

- **Modest resource profile:** FFSL has been able to raise resources from banks at competitive rates. The funding profile consisted of NCDs (10%), term loans (32%), cash credit/working capital demand loan (28%) and other borrowing (30%) as on March 31, 2024.

Cost of borrowing was 10-12% including processing fees. To diversify its resource profile, the company has entered into co-lending arrangement for gold loans with a bank.

It plans to scale up operations and will require resources to expand business. Ability to diversify the resource profile and raise funds at competitive rates remains a key monitorable.

Liquidity: Adequate

The asset-liability management profile had positive cumulative gaps in all time buckets as on March 31, 2024. As on May 31, 2024, the company had cash and bank balance of Rs 4.34 crore and unutilised lines of Rs 5.49 crore, which are sufficient to cover debt obligation of more than two months. Furthermore, FFSL maintains liquidity equivalent to 2-3 months of its net outflow.

Outlook: Stable

CRISIL Ratings believes FFSL will continue to benefit from the extensive experience of the promoters and management and its adequate capitalisation.

Rating Sensitivity factors

Upward factors

- Substantial increase in revenue while maintaining asset quality (90+ dpd) below 2% on steady state basis
- Steady improvement in profitability
- Diversification of resource profile at optimal cost of funding

Downward factors

- Weakening in the asset quality with 90+ dpd exceeding 4% on steady state basis, impacting profitability
- Inability to raise capital, leading to significant increase in gearing while scaling up the portfolio

About the Company

FFSL, also known by the brand name Arvog, was set up in 1984 as Sanjay Leasing Ltd. The company received its NBFC license from the RBI in 1998. It was acquired by Mr. Ketan Kothari in 2010. The company started offering retail loans in 2019 on pilot basis and gold loans from October 2020. The promoter group held 58.9% stake in the company as on March 31, 2024.

It is registered with the RBI as a non-deposit-taking, base-layer NBFC. It focuses on gold loans, which constitute over 50% of its AUM, and can thus be classified as a gold loan NBFC. It is listed on the Bombay Stock Exchange.

Key Financial Indicators

Particulars	Unit	2024	2023	2022
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Total assets	Rs crore	283.7	234.6	186.2
Total income	Rs crore	90.3	50.6	22.7
Profit after tax	Rs crore	16.1	14.3	21.6
Gross NPA	%	2.0	2.1	12.1
Adjusted gearing	Times	0.4	0.3	0.1
Return on managed assets	%	6.2	6.8	10.8

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Proposed long-term bank loan facility	NA	NA	NA	125	NA	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	125.0	CRISIL BBB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	125	Not Applicable	CRISIL BBB/Stable

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition

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