Capital Trade Links Ltd.

September 25, 2018

Summary of rated instruments

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	0.00	[ICRA]BB- (Stable); Assigned
Total	**0.00**	

Rating action

ICRA has assigned the issuer rating of [ICRA] BB-(pronounced ICRA double B minus)[†]to Capital Trade Links Ltd. (CTLL). The outlook on the issuer rating is Stable[1].

Rationale

The rating factors in the experienced management team with adequate experience in the line of business, good asset quality indicators albeit a relatively small loan book with gross NPA and Net NPA of 0.4% and 0.0% as on March 31, 2018 and the adequate credit appraisal systems in relations to the current scale of operations.

The ratings are however constrained by the relatively small scale of operations with a total portfolio of around Rs. 21.56 crore as on March 31, 2018, high geographical concentration with 98% of the entire portfolio concentrated in Delhi-Ncr as on March 31, 2018, Limited financial flexibility in light of the entire borrowings of the company being from the promoters, high portfolio vulnerability with around 80% of the entire loan book concentrated amongst the top 20 customers along with the modest profitability indicators (return on average net worth at 6.0% in FY2018).

Going forward, the company’s ability to raise resources (both debt and equity) for portfolio expansion while maintaining the asset quality and improve profitability indicators would be a key rating sensitivity.

Outlook: Stable

The outlook may be revised to positive if the company is able to continue to profitably grow its portfolio while maintaining control over the asset quality. The outlook may be revised to negative if there is a significant deterioration in the asset quality or solvency profile of the company.

[†]For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

[1]*With effect from September 1, 2017, ICRA has aligned the symbols and the definitions of ratings pertaining to the Issuer Rating Scale with that of the Long-Term Rating Scale. The change in the symbol is not to be construed as a change in the credit rating. Please refer to ICRA’s website for more details*

Key rating drivers

Credit strengths

Experienced management team with adequate experience in the line of business: The company's management team is experienced in the line of business along with having a good amount of knowledge related to the demographic profile of the borrowers in the region of operations.

Good asset quality indicators albeit on a relatively small portfolio size: The asset quality indicators of the company stand comfortable with gross NPA and Net NPA of 0.4% and 0.0% respectively as on March 31, 2018 which further declined to 0.3% (Net NPA at 0.0%) as on August 31, 2018 as a result of the recovery made by the company. ICRA however notes that the portfolio of the company specially in segments like personal loans and e-rickshaw financing is of a relatively new vintage and the delinquencies specially in the softer buckets might increase as the company scales up its operations.

Adequate credit appraisal systems in relation to the scale of operations: The credit appraisal systems of the company stand adequate in relation to the current scale of operations, however ICRA notes that the systems would require upgradation as the company scales up operations.

Credit challenges:

Small size and geographically concentrated portfolio: The company's scale of operations is relatively small with a portfolio of Rs. 21.56 crore as on March 31, 2018 further around 98% of the entire portfolio as on March 31, 2018 was concentrated in Delhi-NCR. However, ICRA notes that going forward the geographical diversity of the portfolio may improve with the company in process of setting up new branches in various regions; nevertheless the concentration of the portfolio in Delhi-NCR is expected to continue to dominate in the medium term.

Limited financial flexibility: The entire funding profile of the company constitutes of the loans given by the promoters of the company and it currently does not hold any banking relationship thereby providing limited financial flexibility. The ability of the company to raise resources (both debt and equity), which would be required for further business growth is yet to be established.

High portfolio vulnerability: The portfolio vulnerability remains high with top 20 customers constituting around 80% of the entire portfolio as on March 31, 2018. ICRA however notes that by virtue of having a long working relationship with most of the borrowers the company has been able to maintain the asset quality indicators, nevertheless due to the large ticket size loans under the "business loan segment (83% of the total portfolio as on March 31, 2018)" the portfolio remains vulnerable to the asset quality shocks.

Modest Profitability indicators: The company reported modest profitability indicators with a reported return on net worth of around 6.0% in FY2018 owing to low gearing levels and small scale of operations. As the company scales up operations with incremental business being funded out of the fresh borrowings (subject to availability of funds in form of external borrowings) the profitability indicators are likely to improve.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

ICRA's Credit Rating Methodology for Non-Banking Finance Company.

About the company:

Capital Trade Links Ltd. is a non-deposit accepting Non-Banking Financial Company registered with Reserve Bank of India which started its operations in 1984 and got listed on the Delhi stock exchange in 1985. The company offers loans primarily under three broad categories like business loans, personal loans and E-rickshaw financing segment. The company was acquired by the current management of the company in the year 2014. The company is also a distributor of mutual funds such as Franklin Templeton, SBI Mutual Fund, ICICI mutual fund etc. The total outstanding portfolio of the company as on March 31, 2018 stood at around Rs. 21.56 crore with a total net worth of around Rs. 16.08 crore. The company reported a PAT of Rs. 94 lakhs in FY2018 as against Rs. 77 lakhs in FY2017.

Key Financial Indicators

Amounts in Rs. Crore	FY 2017	FY2018
PAT	0.77	0.94
Net Worth	15.14	16.08
Assets under management	15.75	21.56
Total Assets	20.70	23.92
Total Managed Assets	20.70	23.92
Return on Average Assets	3.43%	4.23%
Return on Average Equity	5.15%	6.04%
Gearing (times)	0.31	0.46
CRAR	n/a	n/a
Gross NPA %	0.03%	0.44%
Net NPAs%	0.00%	0.00%

Source: Capital Trade Links Ltd., ICRA research

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs.crore)	September2018	FY2017	FY2016	FY2015
1	Issuer rating	n/a	n/a	n/a	[ICRA] BB- (Stable)	n/a	n/a	n/a

Source: ICRA research

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
n/a	Issuer Rating	n/a	n/a	n/a	0.00	[ICRA] BB- (Stable)

Source: Capital Trade Links Ltd.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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