

Rating Rationale

Ananya Finance for Inclusive Growth Private Limited

11 April 2018

Brickwork Ratings assigns rating for the bank facilities of Rs. 200 Cr of Ananya Finance for Inclusive Growth Private Limited (“AFIGPL” or “the Company”).

BWR has assigned the **Ratings**¹ of bank loan facilities, as detailed below:

Facility	Amount (Rs. Cr)	Tenure	Rating
Bank Loan (Fund Based)	200	Long Term	BWR BBB- (Pronounced as Triple B minus) (Outlook: Stable)
Total	200	INR Two hundred Crores only	

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY16-17, provisional financial results of 9MFY17-18, projected financials, publicly available information, and information/clarifications provided by the Company’s management.

The rating has factored, *inter alia*, the experienced Promoter & Management, capital infusion and continuous support from Institutional Investors who are also represented on the Board of the company, growing business profile, moderate asset quality, and comfortable capitalization and risk management practices.

The rating is, however, constrained by the modest size of operations, past losses due to which Networth is moderate, and general risk profile of microfinance business in general.

Rating Outlook: Stable

BWR believes AFIGPL’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. Going forward, any major decline in profitability, NIM or deterioration in asset quality with impact on capitalization or a general decline in microfinance business in India would be the key rating sensitivities.

Analytical Approach:

Risk profile of Ananya Finance for Inclusive Growth Private Limited is evaluated on a stand-alone basis. Please refer to the applicable Rating Criteria at the end of this rationale.

Key Credit Risk Factors:

- **Ownership and Management:** The company has an experienced management team having long experience in Banking, Microfinance and financial services space of more than 3 decades. It is also promoted by the Friends of Women's World Banking, India (FWWB). FWWB (Friends of Women's World Banking - India (FWWB-I) was promoted in 1982 by SEWA Bank, as an affiliate of Women's World Banking. Subsequently, there had been continuous support from various institutional investors from time to time who are also represented on the Board of the company. As such, it benefits from the promoters/investor's ability to infuse capital, as and when required, in addition to management expertise. Recently, in February 2018, an institutional investor has infused fresh capital of USD 1 Million in the company.
- **Moderate financial risk profile** as indicated by its growing loan book portfolio by ~45% Y-O-Y, while maintaining its moderate asset quality at less 1% and comfortable capitalisation with continuous support from the institutional investors and promoters. However, due to past losses Networth is moderate.
- **Industry prospects:** Microfinance industry plays a very critical role in rapidly developing Indian financial system with core development of the country's infrastructure, transport, employment generation, wealth creation opportunities. It also financially support economically weaker sections which in general also poses various risk factors as a part of lending business. The field has many players – big and small, and is highly competitive. However, AFIGPL can leverage on the existing strong management and shareholders.

About the Company

Ananya Finance for Inclusive Growth Private Limited (AFIGPL) is a registered Non-Banking Finance Company in India which was incorporated in April 2009, and based in Ahmedabad (Gujarat). It was set up by the Friends of Women's World Banking, India (FWWB). FWWB (Friends of Women's World Banking - India (FWWB-I) was promoted in 1982 by SEWA Bank, as an affiliate of Women's World Banking, a global network created to focus on the need for women's direct access to financial services. AFIGPL took over the MFI operations of FWWB in 2009 to support FWWB in scaling up its operations. One of the major investors of AFIGPL are *Indian Foundation for Inclusive Growth (IFIG - which was set-up by FWWB-I as a Special Purpose Vehicle)*, holding equity and OCPS together of 28.46% in AFIGPL, Women World Bank (WWB) holding 11.91%. Stitching Capital 4 Development & IDBI together holding 36.02%. In February 2018, Gojo & Company, Inc. has also acquired a holding of 23.26% in AFIGPL. *GoJo & Company Inc.* is a Japan based impact investor interested in investing organization serving to MFI industry and they have their investments in Srilanka, Myanmar and Cambodia apart from their investment in India.

AFIGPL is primarily engaged in the business of lending to MFIs which in turn lend to the Joint Liability Groups (JLGs) for income generation activity. In 2015, it has also started lending to FPOs (Farmer

Producing Organization) which in turn lend to small and marginal farmers as well as to agriculture businesses. Apart from its lending business it also offers credit programs to different MFIs in the country and receives Grants to that extent from SIDBI, etc.

The Company is managed by experienced team of 8 Board of Directors which is headed by Mr. Brij Mohan, held as the Chairman of the company, who is also supported by the Managing Director - Mr. S S Bhat. All the Directors have long experience in Banking, Microfinance and financial services space.

Company's Financial Performance

The company's outstanding loan portfolio was Rs. 98.26 Crores as of March 31, 2017. These loans are to MFIs for onlending. Composition of MFI Loan book stood at 83% followed by Agricultural Loan (FPO) with 17% share in FY17. The Gross NPA of the Company stood at 0.32% and NNPA of 0.29% as of FY17 with a Provision Coverage Ratio (PCR) at 10.00%.

For FY17, Total Interest Income for the Company stood at Rs. 12.90 Crores while Net Interest Income was at Rs. 6.77 Crores with a Net Interest Margin of 6.56%. PAT stood at Rs. 1.84 Cr. AFIGPL's Tangible Net Worth is Rs. 24.12 Crores in FY17 and capital adequacy in the form of CRAR stood comfortable at 21.27%. For short to medium term, the company has a comfortable liquidity position.

On a provisional basis, as of 28 Feb 2018, the company's outstanding loan portfolio improved to Rs. 142.70 Crores. During the 9 month period ended 31 Dec 2017, Total Interest Income for was Rs. 11.27 Crores while Net Interest Income stood at Rs. 4.94 Crores. The CRAR and the asset quality remained stable at the same level during this period.

Key Financial Figures:

Financial Ratios	FY16 (A)	FY17 (A)
Asset Under Management (Rs. Cr)	72.43	98.26
Gross NPA %	0.43%	0.32%
Net NPA %	0.39%	0.29%
Net Interest Income (Rs. Cr)	5.10	6.77
PAT (Rs. Cr)	1.55	1.84
Net Interest Margin (NIM)	6.72%	6.56%
Tangible Net Worth (Rs. Cr)	22.28	24.12
CRAR	25.39%	21.27%

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (Year 2018)		Rating History		
				2017	2016	2015
2	Bank loan	Rs. 118.70 Cr	BWR BBB- Outlook: Stable	NA	NA	NA
3	Proposed Bank Loan	Rs. 81.30 Cr	BWR BBB- Outlook: Stable	NA	NA	NA
	Total current rated amount	Rs. 200 Cr	INR Two hundred crores only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings



Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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