

RATING RATIONALE

25 June 2020

Ananya Finance for Inclusive Growth Private Limited

Brickwork Ratings assigns rating of ‘BWR BBB/ Credit Watch with Negative Implications’ to the NCDs of Ananya Finance For Inclusive Growth Private Limited

Particulars:

Facility / Instruments**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (19May 2020)	Present
NCD #	0.00	25.00	Long Term	--	BWR BBB Credit Watch with Negative Implications (Assigned)
NCD	15.00	15.00	Long Term	BWR BBB Credit Watch with Negative Implications	BWR BBB Credit Watch with Negative Implications (Reaffirmed)
Cash Credit	6.00	6.00			
Term Loans	244.00	244.00			
Total	265.00	290.00	INR Two Hundred and Ninety Crores Only		

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

** Details of Bank facilities and NCD is provided in Annexure-I&II

Proposed

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) assigns rating of BWR BBB/ Credit Watch with Negative Implications to proposed non-convertible debenture (NCDs) and reaffirms the long-term rating of the existing bank loan facilities and debt instruments of Ananya Finance For Inclusive Growth Private Limited (Ananya Finance) as tabulated above. The rating continues to factor in adequate capitalisation, experienced management team and average asset quality. The rating, however, is constrained by the moderate scale of operations and average resource profile. The rating is under Credit Watch with Negative Implications, given the uncertainty regarding the extent of impact on the company’s loan portfolio due to the impact of COVID-19 on the credit profile of its



underlying borrowers, which are mainly microfinance institutions (MFIs), and the resultant impact on the asset quality and credit costs of Ananya Finance.

BWR will continue to monitor the liquidity position and collection efficiency of the company post the loan moratorium period announced by the Reserve Bank of India (RBI) and resolve the Credit Watch once there is some clarity on the extent of impact on the company's asset quality.

KEY RATING DRIVERS

Credit Strengths:

- **Adequate capitalisation:** The company was adequately capitalised with a CRAR of 41% as on 31 March 2020. The company raised equity of Rs. 40.68 Crs. from Gojo & Company Inc and Rs. 10.51 Crs. from Stichting Capital 4 Development in FY19 and further raised equity of Rs. 21.72 Crs. in FY20 from the aforementioned shareholders. The company's net worth and gearing improved to Rs. 104.27 Crs. and 1.68 times respectively as on 31 March 2020 from Rs. 81.30 Crs. and 1.97 times as on 31 March 2019. Accrual to net worth remains low due to moderate profitability. The profitability was low for FY20 due to higher provisioning costs. The ability of the company to improve profitability and maintain adequate capitalisation is a key rating monitorable.
- **Experienced management:** Ananya Finance is a professionally managed company and is headed by Mr. Gaurav Gupta, having an experience of over 20 years in banking and finance. The senior management team has well-qualified and experienced people and consists of chartered accountants and MBAs. Ananya Finance's current Board includes eight directors, including one independent director, five nominee directors of financial institutions such as the Indian Foundation For Inclusive Growth, Stichting capital 4 development, Gojo & Company, Inc and Women's World Banking.

The company has also created a strong relation with its clients as it offers capacity building services, including research and advisory services, management support and various other assessments. Ananya Finance works towards raising the quality of the operations of its partner organisations (MFIs) by training the staff and management and guiding them to strengthen internal controls and keep up with technological trends in the market. The company also facilitates the linkages of agri enterprises with producer companies (PCs), which enables agri enterprises to find a good sourcing base and PCs to get a marketing partner.

- **Moderate asset quality:** Ananya Finance's asset quality was moderate, with gross non-performing assets (NPAs) and net NPA of 2.17% and 1.30%, respectively, as on 31 March 2020, against 1.05% and 0.57%, respectively, as on 31 March 2019. The increase in the gross NPA is primarily in the agri loan book, wherein the GNPA increased to 1.74% as on 31 March 2020 from 0.85% as on 31 March 2019. The impact of COVID-19 on the loan portfolio of Ananya Finance and its ability to manage asset quality is a key rating monitorable.

Credit Risks:

- **Majority exposure to the vulnerable MFI sector:** The company mainly lends to MFIs, farmer producer companies (FPOs) or PCs and agri SMEs. The lending is concentrated in the MFI sector, with around 86% of the total portfolio comprising loans given to MFI clients. However, the company has a diversified client base of around 52 MFI clients, and the single largest exposure stood at 5.4% of the total portfolio as on 31 March 2020. The MFI sector is expected to be impacted by the COVID-19 impact on the domestic market; however, the extent of impact is yet to be determined. During FY20, the company has diversified to MSME lending and has built a portfolio of around Rs 21 Crs (~ 8% of AUM) as on 31 March 2020. The company's agri portfolio constituted ~ 6% of the AUM with a client base of around 28 clients. Going forward, the portfolio concentration in the MFI sector is expected to reduce.
- **Moderate scale of operations:** The company had a total portfolio of Rs. 267.80 Crs. as of 31 March 2020. Ananya Finance currently has 52 MFI clients and 28 agri clients. The company has disbursed loans amounting to Rs. 303.30 Crs. during FY20, against Rs. 274.70 Crs. during FY19.
- **Average resource profile:** The company has an average resource profile with high dependence on NBFCs for funding, resulting in a higher cost of borrowing. Out of its total borrowing of Rs 175.51 Crs as on 31 March 2020, 91% was in the form of term loans, and around 9% was in the form of NCDs. The company has availed term loans from 15 lenders, out of which 6 are banks. Around 44% of total term loans outstanding as on 31 March 2020 was from banks.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Ananya Finance. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

The ability of the company to build its total portfolio book while improving its asset quality and profitability, maintaining healthy capitalisation and adequate liquidity.

Positive: Steady portfolio growth backed by stable asset quality, improvement in profitability, healthy capitalisation and adequate liquidity are key rating drivers.

Negative: A sharp deterioration in asset quality, liquidity and profitability are key rating sensitivities.

LIQUIDITY POSITION: ADEQUATE

The company gives loans to MFIs for a tenure of 24 months. The loans to PCs and agri enterprises are short-term loans. The company borrows in the form of term loans for a tenure of 2-3 years. This results in a favourable ALM position for the company. The company has debt repayment obligations of Rs 106 Crs between June 2020 to March 2021. Against this, the company has collections of Rs 203 Crs during the same period. Apart from this, the company had liquidity of Rs. 27 Crs and unutilised cash credit limits of Rs 6.00 Crs as on 24 June 2020.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organisation (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending to the retail low-income borrower segments could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India on interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers as the 6-month moratorium ends and to collect accumulated interest and principal dues on a timely basis after this period will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

COMPANY PROFILE

Ananya Finance for Inclusive Growth Private Limited (Ananya Finance) is a non-banking finance company incorporated in April 2009 and is based out of Ahmedabad, Gujarat. Ananya Finance was set-up by the Friends of Women's World Banking, India (FWWB). Ananya Finance took over FWWB's MFI portfolio in April 2010. It faced the Andhra Pradesh Microfinance Crisis in 2010 and survived the challenges faced for four years before registering profits in FY16. The company started with wholesale lending to MFIs and subsequently expanded by lending to the Agriculture sector. The company also engages in capacity building services and conducts workshops, training and campaigns to create awareness about microfinance. Ananya Finance also facilitates the linkages of agri enterprises with PCs.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19	FY20
Result Type		Audited	Audited	Provisional
Total portfolio	Rs. in Crs.	152.36	258.63	267.80
Total Income	Rs. in Crs.	17.55	31.52	45.71
Profit after Tax	Rs. in Crs.	2.62	7.07	2.71
Tangible net worth	Rs. in Crs.	30.90	81.30	104.27
Gearing	Times	3.71	1.97	1.68
Gross NPA	%	0.67	1.05	2.17
CRAR	%	20.13	32.14	41

All financial numbers for FY20 are provisional and as per IND-AS.

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal and suspended)

Sr. No.	Name of Instrument	Current Rating (2020)			Rating History for the past 3 years											
		Type	Amount (Rs. Crores)	Rating	2020			2019			2018			2017		
1	Proposed NCD	Long Term	25.00	BWR BBB Credit Watch with Negative Implications	19.05.2020			17.05.2019			11.04.2018			NA		
					NA	NA	NA	NA	NA	NA	NA	NA	NA			
					NA			6.05.2019			NA			NA		
								NA	NA	NA						
2	NCDs	Long Term	15.00	BWR BBB Credit Watch with Negative Implications	19.05.2020			17.05.2019			11.04.2018			NA		
					Long Term	15.00	BWR BBB Credit Watch with Negative Implications	Long Term	15.00	BWR BBB Stable	NA	NA	NA			
					NA			6.05.2019			NA			NA		
								NA	NA	NA						
3	Cash Credit	Long Term	6.00	BWR BBB Credit Watch with Negative Implications	19.05.2020			17.05.2019			11.04.2018			NA		
					Long Term	6.00	BWR BBB Credit Watch with Negative Implications	Long Term	6.00	BWR BBB Stable	Long Term	5.00	BWR BBB-Stable			
					NA			6.05.2019			NA			NA		
								Long Term	6.00	BWR BBB Stable						
4	Term Loans	Long Term	244.00	BWR BBB Credit Watch with Negative Implications	19.05.2020			17.05.2019			11.04.2018			NA		
					Long Term	244.00	BWR BBB Credit Watch with Negative Implications	Long Term	244.0	BWR BBB Stable	Long Term	195.00	BWR BBB-Stable			
					NA			6.05.2019			NA			NA		
								Long Term	244.0	BWR BBB Stable						
Total			290.00	INR Two Hundred and Ninety Crores Only												



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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Ananya Finance For Inclusive Growth Private Limited

ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Lender	Type of Facilities	Amount Rated (Rs. in Crs)
1	IDFC First Bank	Term Loan	26.16
2	Union Bank of India	Term Loan	17.53
3	State Bank of India	Term Loan	3.25
4	Reliance Commercial	Term Loan	0.00
5	Tata Capital	Term Loan	4.13
6	Mahindra Finance	Term Loan	1.83
7	Avanse Financial Services	Term Loan	0.47
8	Nabkisan	Term Loan	10.03
9	Nabard Financial Services	Term Loan	17.08
10	Nabsamruddhi Financial	Term Loan	14.44
11	Mudra	Term Loan	14.98
12	Maanaveeya	Term Loan	18.13
13	Vivriti Capital	Term Loan	8.20
14	Yes Bank	Term Loan	5.83
15	Bandhan Bank	Term Loan	12.14
16	Suryoday Bank	Term Loan	4.06
	Total Existing Term Loans		158.26
	Proposed	Term Loan	85.74
	Total Term Loan		244.00
17	RaboBank	CC limit	6.00
	Total Amount Rated		250.00

Total Rupees Two Hundred and Fifty Crores only.



ANNEXURE II - NCD DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NCDs	23 May 2019	15.00	12.76%	23 May 2022	INE774L07016
Proposed NCD	--	25.00	--	--	--

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