

RATING RATIONALE

25 June 2021

Ananya Finance for Inclusive Growth Private Limited

Brickwork Ratings reaffirms the rating of bank loan facilities of Rs. 350 Crs and NCDs of Rs. 36.25 Crs of Ananya Finance For Inclusive Growth Private Limited and removes the rating from Credit Watch with Negative Implications and assigns a Negative Outlook.

Particulars:

Facility / Instruments**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (25 June 2020)	Present
NCD	25.00	25.00	Long Term	BWR BBB/ Credit Watch with Negative Implications	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch with Negative Implication and assigned a Negative Outlook)
Term Loans	244.00	344.00			
Cash Credit/Overdraft	6.00	6.00			
NCD	15.00	11.25			
Total	290.00	386.25	(Rupees Three Hundred and Eighty Six Crores and Twenty Five Lakhs)		

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

** Details of Bank facilities and NCDs provided in Annexures- I & II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms rating of BWR BBB, removes the rating from Credit Watch with Negative Implications and assigns a Negative outlook for the bank loan facilities of Rs. 350 Crs (amount enhanced from Rs. 250 Crs) and non-convertible debentures (NCDs) of Rs. 36.25 Crs of Ananya Finance For Inclusive Growth Private Limited (Ananya Finance) as tabulated above. The rating continues to factor in adequate capitalization, experienced management team and support from its key shareholder Gojo Capital. The rating, however, is constrained by the moderate scale of operations, average asset quality and average resource profile. The rating has been removed from Credit Watch with Negative Implications and assigned a Negative outlook, given the possibility of increase in delinquencies in the Retail portfolio as well as the Wholesale Microfinance (MFI) Portfolio due to resurgence of the Covid pandemic.

KEY RATING DRIVERS

Credit Strengths:

- **Adequate capitalization:** The company is adequately capitalized with a CRAR of 33.93% as on 31 March 2021. Shareholders have regularly supported the company with equity infusion with infusion of Rs. 6.40 Crs in FY 18, Rs 51.19 Crs in FY 19 and Rs. 21.72 Crs in FY 20. The company's net worth and gearing is comfortable at Rs. 92.93 Crs. and 1.83 times respectively as on 31 March 2021 (Rs. 104.46 Crs. and 1.68 times respectively as on 31 March 2020).
- **Support from largest shareholder:** Gojo Capital (Gojo), the key shareholder (70.37% equity stake at the end of FY 21), has issued a letter of comfort on 18 June 2021 stating its intention to maintain its current stake in the company and support the company in meeting its debt service requirements, if required, and also issue guarantees to support future fund raise by the Company. Gojo has raised cumulative capital of USD 140 million since its establishment in July 2014 and has a gross loan portfolio of USD 288 million. Its investor base includes Dai-ichi Life Insurance Co. Ltd, Marui Group Co., ASTMAX Fund Management Co. Ltd., RICOH Leasing Co. Ltd., Beyond Next Ventures Inc., GMO Venture Partners Inc., and other individual investors. Apart from Ananya Finance, Gojo & Co. has invested in companies like Satya Microcapital, AVIOM India Housing Finance and Loan Frame Technologies in India.
- **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. Ananya Finance's current Board has eight directors, including 3 Independent Directors and 4 nominee directors of the following financial institutions - IFIG, Stichting Capital 4 Development and Gojo & Company.

The company has created a strong relationship 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 organizations (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.

Credit Risks:

- **Exposure to the vulnerable MFI sector:** Of the overall advances of Rs. 261.44 Crs at the end of FY 21, 50% (Rs. 136.82 Crs) was on account of retail MFI lending through Business Correspondent operations, 33% (Rs. 85 Crs) was through MFI wholesale lending, 6.80% (Rs. 17.77 Crs) was through the Agri segment and 10.20% (Rs. 21.61

Crs) was through the MSME segment.

The company lends to Micro Finance Institutions (MFIs), Farmer Producer Companies (FPOs) or Producer Companies (PCs), Agri SMEs and micro borrowers. MFI lending is mainly to borrowers who belong to economically weaker sections and hence are more susceptible to economic downturns. The wholesale MFI portfolio has reduced to Rs. 45 Crs (net of security deposits) as at the end of May 2021. As per discussions with the management, the company will be selective in disbursing loans to MFIs and focus will be to grow its retail portfolio. The performance of the MFI portfolio (wholesale and retail) will be a key monitorable given the resurgence of Covid and the spread of the Pandemic in rural areas.

- **Average asset quality and write-off:** The asset quality is average with GNPA and NNPA of 3.23% and 1.75% as on 31 March 2021 as against 2.03% and 1.01% respectively as on 31 March 2020. Ananya has written-off Rs. 19.86 Crs in FY 21 on account of defaults by its customers (mainly due to fraud & mismanagement by a few wholesale MFIs) resulting in loss for FY 21. Most of the defaulting accounts have been fully written off or substantially provided for. BWR does not anticipate credit costs in excess of Rs. 5 Crs for the above recognized defaults.
- **Average resource profile:** The company has an average resource profile with high dependence on NBFCs for funding, resulting in a higher cost of borrowing. The company has availed term loans from ~ 15 lenders out of which 3 are banks. Out of its total borrowing of Rs. 170.07, 78% was in the form of term loans and around 22% was in the form of NCDs.

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 scale up its portfolio while improving its asset quality and profitability, maintaining comfortable capitalization and adequate liquidity are key rating sensitivities.

Positive: Steady increase in loan portfolio, improvement in profitability and comfortable capitalization are key rating positives

Negative: A sharp deterioration in asset quality, and profitability and a deterioration in capital structure are key rating negatives.

LIQUIDITY POSITION: ADEQUATE

The company gives loans to MFIs/ retail borrowers for a tenure of upto 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 favorable ALM position for the company. The company has debt repayment obligations of Rs. 56 Crs between June 2021 to November 2021. Against this, the company has collections of Rs. 116 Crs during the same period. Apart from this, the company has liquidity of Rs. ~38 Crs in the form of Cash balances and Fixed Deposits (FDs) and undrawn sanctions of Rs 6.00 Crs as on 31 May 2021.

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 SME segment - Agriculture and Non-Agriculture sector. In 2020, Ananya started lending directly to Micro-borrowers and Small & marginal farmers from its balance sheet under BC partnership.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY20	FY21
Result Type		Audited	Audited
Total portfolio	Rs. in Crs.	266.31	261.44
Total Income	Rs. in Crs.	45.99	37.48
Profit after Tax	Rs. in Crs.	2.71	(11.8)
Tangible net worth	Rs. in Crs.	104.46	92.93
Gearing	Times	1.68	1.83
Gross NPA	%	2.03	3.23
CRAR	%	39.54	33.93

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 (2021)			Rating History for the past 3 years								
		Type	Amount (Rs. Crs)	Rating	2020			2019			2018		
1	Proposed NCD	Long Term	25.00	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook)	25.06.2020			17.05.2019			11.04.2018		
					Long Term	25.00	BWR BBB Credit Watch with Negative Implications	NA	NA	NA	NA	NA	NA
					19.05.2020			6.05.2019			NA		
					NA	NA	NA	NA	NA	NA			
2	NCDs	Long Term	11.25	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook)	25.06.2020			17.05.2019			11.04.2018		
					Long Term	15.00	BWR BBB Credit Watch with Negative Implications	Long Term	15.00	BWR BBB Stable	NA	NA	NA
					19.05.2020			6.05.2019			NA		
					Long Term	15.00	BWR BBB Credit Watch with Negative Implications	NA	NA	NA			
3	Cash Credit Overdraft	Long Term	6.00	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook)	25.06.2020			17.05.2019			11.04.2018		
					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
					19.05.2020			6.05.2019			NA		
					Long Term	6.00	BWR BBB Credit Watch with Negative Implications	Long Term	6.00	BWR BBB Stable			
4	Term Loans	Long Term	344.00	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook)	25.06.2020			17.05.2019			11.04.2018		
					Term Loans	244.00	BWR BBB Credit Watch with Negative Implications	Long Term	244.00	BWR BBB Stable	Long Term	195.00	BWR BBB-Stable
					19.05.2020			6.05.2019			NA		
					Long Term	244.00	BWR BBB Credit Watch with Negative Implications	Long Term	244.00	BWR BBB Stable			
Total			386.25	(Rupees Three Hundred and Eighty-Six Crores and Twenty-Five Lakhs)									

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple/Complex

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

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	
Dhanya Shah Rating Analyst +91 22 2831 1426 dhanya.rs@brickworkratings.com	Ramya Muraledharan Director - Ratings +91 22 6745 6660 ramya.m@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

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	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	IDFC First Bank	Term Loan	35.00	-	35.00
2	Union Bank of India	Term Loan	8.61	-	8.61
3	Nabkisan	Term Loan	4.99	-	4.99
4	Nabard Financial Services	Term Loan	7.08	-	7.08
5	Nabsamruddhi Financial	Term Loan	6.11	-	6.11
6	Mudra	Term Loan	4.99	-	4.99
7	Manveeya	Term Loan	8.13	-	8.13
8	Vivriti Capital	Term Loan	10.06	-	10.06
9	Bandhan Bank	Term Loan	2.86	-	2.86
10	Eclear Leasing & Finance Pvt Ltd	Term Loan	8.90	-	8.90
11	Western Capital Advisors Pvt Ltd	Term Loan	6.42	-	6.42

12	Caspian	Term Loan	7.50	-	7.50
13	MAS	Term Loan	13.75	-	13.75
14	NABARD	Term Loan	10	-	10
15	Northern Arc	Term Loan	9.62	-	9.62
16	Indusind Bank	Overdraft	6.00	-	6.00
	Total Existing Term Loans		150.02	-	150.02
	Proposed	Term Loan	199.98	-	199.98
	Total Term Loan		350.00	-	350.00
	Total Amount Rated		350.00	-	350.00

Total Rupees Three Hundred and Fifty Crores only.

ANNEXURE II - NCD DETAILS

Instrument	Issue Date	Amount (Rs. Crs)	Coupon Rate	Maturity Date	Outstanding as on 31 May 2021	ISIN Number
NCD	5/17/2019	15.00	12.76%	5/23/2022	11.25	INE774L07016
NCD	6/28/2020	25.00	11.00%	6/29/2023	25.00	INE774L07024
Total		40.00			36.25	

Total Rupees Thirty Six crores and Twenty Five Lakhs only.



For print and digital media: The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "**BWR Party**") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the



results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.