



## RATING RATIONALE

15 July 2024

### Ananya Finance For Inclusive Growth Private Limited

**Brickwork Ratings (BWR) reaffirms the rating of NCD of Rs. 28.86 Crores, with revision in Outlook and withdraws the rating for NCD of Rs.15 Crores (was Rs.10 Crores outstanding as of 30 June 2023) on full redemption of Ananya Finance For Inclusive Growth Private Limited.**

#### Particulars:

Instruments**	Amount Rated (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (17 July 2023)	Present
NCD #	19.25	<b>9.17</b>	Long Term	BWR BBB/Negative (Reaffirmed)	<b>BWR BBB/ Stable (Reaffirmed with Revision in Outlook)</b>
NCD \$	10.00	<b>0.00</b>	Long Term	BWR BBB/Negative (Reaffirmed)	<b>Withdrawn</b>
NCD #	22.50	<b>19.69</b>	Long Term	BWR BBB /Negative (Reaffirmed)	<b>BWR BBB/ Stable (Reaffirmed with Revision in Outlook)</b>
<b>Total</b>	51.75	<b>28.86</b>	<b>Rs. Twenty Eight Crores and Eighty Six Lakhs only</b>		
* Please refer to BWR website <a href="http://www.brickworkratings.com/">www.brickworkratings.com/</a> for definition of the ratings ** Details of Instruments ( outstanding and redeemed) is provided in Annexures- II # Reduction in NCDs amount is due to redemption as confirmed by the Debenture Trustee \$ The Withdrawal of Rating for the redeemed NCD is in compliance with BWR Rating Withdrawal Policy					

## RATING ACTION/OUTLOOK

**Reaffirmation of ratings at BWR BBB/Stable with revision in Outlook for outstanding NCDs of Rs. 28.86 Crs.**

**Withdrawal of ratings for redeemed NCDs raised Rs.15 Crs (was Rs.10 Crs outstanding as of 30 Jun 2023).**

Brickwork Ratings (BWR) has reaffirmed the rating for the outstanding NCDs of Rs.28.86 Crs of Ananya Finance For Inclusive Growth Private Limited (AFIGPL or Ananya or the 'Company') as tabulated above with revision in outlook from Negative to Stable, factoring the improvement in the credit risk profile of the company

BWR withdraws the rating of NCDs raised of Rs.15 Crs (was Rs.10 Crs outstanding as of 30 Jun 2023) of Anaya on its premature redemption in full. The Withdrawal of rating is at the request of the company and confirmation of the debenture trustee of its redemption in full. The Withdrawal of rating is in compliance with BWR Rating Withdrawal Policy.



The rating reaffirmation factors in adequate capitalization, experienced management team, continued support of its key investors in the form of periodic fund infusion, geographically diversified portfolio and improvement in total loan portfolio. The rating, however, is constrained by average asset quality and low profitability.

The shift in business model from wholesale to retail model of the company is gradually stabilizing, resulting in improvement in the AUM and income. The revision of outlook from Negative to Stable factors in the improvement in AUM and the retail book reaching 88% of the total portfolio. The substantial growth (20%) in AUM to Rs.440 Crs and the improvement of income (47%) from Rs. 69 Crs to Rs 101 Crs, Continued support of the key investor - GOJO, comforting the capitalisation and liquidity profile of the company. CRAR @ 26.05% well above minimum regulatory requirement of 15%. GOJO, the key investor - continues to support the company. (during Jan 2024 - May -24 it has infused USD 8 Mn (~ Rs.67 Crs) and further funding support will be provided to strengthen the capital and support business growth, in case of requirement. The migration of business model to retail has supported the business growth and income of the company, though profitability was maintained low on account of higher provisions in inferior wholesale book portfolio and increased opex costs from branch expansions from 60 to 120 and increase in employee to over 1100, on consolidated (Ananya + Prayas) during FY24. Incremental operational costs and provisions, if any and its impact on profitability shall be the monitorables.

BWR has withdrawn the rating of NCD of Rs.10 Crs on account of premature redemption in full. The rating has been withdrawn at the request of the company for withdrawal of rating of the NCD (ISIN INE774L07057) on account of its premature redemption in full and the confirmation provided by the debenture trustee of its full redemption, along with no objection certificate for satisfaction of charge provided by the Debenture Trustee - Catalyst. The Withdrawal of the Ratings is in line with BWR Rating Withdrawal Policy.

#### **KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED:**

- INE774L07032: The nature of instrument was 13.8% secured, unlisted redeemable non convertible debenture, amounting to Rs.22 Crores were issued on 08 April 2022 for a tenor of 2 years 11 months and 17 days with an asset cover of 1.1x. The coupon to be serviced on a monthly basis till its maturity. The instruments are with an option to exercise a put option.
- INE774L07057: The nature of instrument was 13.8% secured, unlisted redeemable non convertible debenture, amounting to Rs.10 Crores were issued on 12 April 2022 for a tenor of 2 years 11 months and 13 days with an asset cover of 1.1x. The said instrument was fully redeemed prematurely on 28 March 2024, with the consent of the sole debenture holder, as conveyed by the Issuer and confirmed by the Debenture Trustee - Catalyst Trusteeship Services Ltd (Catalyst). The instruments had an option to exercise a put option.
- INE774L07040: The nature of instrument was 12.29% secured rated non convertible debenture, amounting to Rs.22.50 Crores were issued on 19 July 2022 for tenor of 3 years maturing on 19 July 2025. The NCDs were secured by the creation of a first ranking exclusive charge on the standard receivables with a cover of 1.1X of the principal amount. The coupon to be serviced twice a year.



## KEY RATING DRIVERS:

### Credit Strengths:-

- **Strong Board and Experienced Management Team:** Ananya is a professionally managed by well qualified and experienced board of directors comprising of 8 Directors, including 3 Independent Director, 4 Nominees Directors of financial institutions like Indian Foundation For Inclusive Growth, Stichting capital 4 development, Gojo & Company, Inc and Women's World Banking. The company has an experienced team of management under the leadership of the bank's Managing Director and Chief Executive Officer Mr. Gaurav Gupta.
- **Continuous Improvement in AUM:** AUM has increased by 20.19% on consolidated basis and 18.24% on standalone basis with main focus on the retail segment, which constitutes 88% of the total portfolio as of March 2024. With the acquisition of Prayas Financial Services Pvt Ltd the company is moving its portfolio from Wholesale to retail book completely. Total disbursement was Rs. 430 Crs, in FY24 against Rs.442 Crs in FY23 and the same is expected to be ~Rs. 600 Crs for FY 25. With both a NBFC and NBFC-MFI license, the company is able to cater to the entire spectrum of individuals and enterprises that form the bottom of the economic pyramid. In line with this, Ananya had reduced the Wholesale book. As of March 2024 the company held 11.56% in the wholesale book amounting to Rs. 48 Crs and expected to further reduce, without any incremental loans in this segment. Average monthly current collection efficiency was 96% for FY 24 and Average Monthly Total collection efficiency being 92%. The Company expects average monthly current collection efficiency at 98% during FY 25.
- **Comfortable Capitalization:** The company is adequately capitalized with the improvement in Gearing from 3.99x as at 31 March 2023 to 3.16x as at 31 March 2024, and CRAR remaining strong at 26.05% as of March 2024, well above the minimum regulatory requirement of 15%. The improvement is on account of increase in net worth by ~53% and not much increase in the borrowings (~20%). Since inception, the company has been receiving support from its investors in the form of equity and preference shares. As of May-2024, Shareholders Equity has reached to Rs. 90.75 Crs from Rs. 66.03 Crs as of March 2023 and Rs. 84.58 Crs as of March 2024. Periodic infusion and support of the promoters, continues to remain the key strength of the company.

### Credit Risks:-

- **Average Asset Quality:** GNPA level has increased to 2.03% in March 2024 from 1.97% in March 2023. The increase in GNPA is on account of the company being reducing its wholesale MFI portfolio which has reduced from 86.78% as of March 2020 to 11.56% in March 2024. 0-90 DPD book is held by the retail portfolio. 90+ DPD is 68% retail and 32% held by the wholesale portfolio. 31-60 DPD accounts for 0.37%, 61-90 DPD accounts for 0.38%. The Company had written off Rs 4.81 crore of bad loans in FY24 and Rs 2.21 Cr in FY 23. The GNPA is relatively high for a MFI focussed company.
- **Low profitability:** The profitability is presently low, on account of writing off bad loans and the expansion into more branches, leading to higher opex and increased employee costs. The company has expanded from 60 branches as of March 2023 to 120 as of March 2024, as also the number of employees crossing 1100 as at March 2024. This has resulted in comparatively higher



operating expenses. Also, the higher delinquencies from inferior wholesale loan books have impacted the asset quality, increasing the provisions resulting in maintained low profitability

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

The analytical approach is Consolidated. For arriving at its ratings, BWR has considered the consolidated financial profile of the company, along with its subsidiary Prayas Financial Services Private Limited, and has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

**Positives:** Substantial Growth in business and AUM, improvement in earnings, asset quality and profitability with continued support from the key investors in the form of fund infusion.

**Negatives:** Weakening of asset quality i.e. GNPA >5% or above the industry average impacting the profitability substantially below the current / estimated levels.

## **LIQUIDITY INDICATORS: Adequate**

The Company had cash and bank balance of Rs.65.37 Crs., Deposits (Unencumbered) of Rs. 111.21 Crs. and undrawn limit of Rs. 10 Crs as at 31 March 2024. The company had debt repayments of Rs. 246 Crs for the ensuing 12 months ending 31 March 2025, against which it had average monthly collection of Rs. 35 Crs, apart from the aforesaid unencumbered cash and bank balances, indicating adequate liquidity to meet its debt obligations. The liquidity position is adequate to meet its debt repayment obligations

## **ABOUT THE COMPANY**

- Ananya Finance for Inclusive Growth Private Limited (Ananya or AFIG) is an NBFC which was incorporated in 2009 and started operations in 2010. It was set up by the Friends of Women's World Banking, India (FWWB) and started its operations by taking over FWWB's Wholesale Microfinance Institution Lending Portfolio. In 2020, Ananya started lending directly to Micro-borrowers and Small & marginal farmers from its balance sheet under BC partnership but is reducing the same basis with focusing on expanding in only the retail segment. In June 2022, AFIG acquired a majority stake in NBFC-MFI, Prayas Financial Services Pvt Ltd for having its own distribution channel to increase its Microfinance retail lending operations.
- Ananya started with wholesale lending to financial institutions engaged in micro-credit loans in 2010, expanding its lending activities to the agriculture sector in January 2015 and direct lending to individuals through NBFC & NBFCMFIs in September 2020. Presently, it caters to MFI through its subsidiary Prayas having the license for the same, while Ananya handles MFI graduates and micro enterprise loans.



**KEY FINANCIAL INDICATORS:**

Parameters	Units	Standalone			Consolidated	
		31-Mar-2022 FY22	31-Mar-2023 FY23	31-Mar-2024F Y24	31-Mar-2023 FY23	31-Mar-2024F Y24
<b>result type</b>		<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Total AUM</b>	INR Crs	310.11	348.9	412.67	366.23	440.16
<b>NII</b>	INR Crs	14.63	21.97	29.91	26.82	46.49
<b>PAT</b>	INR Crs	1.04	2.34	1.13	2.54	2.09
<b>Tangible Net Worth</b>	INR Crs	93.98	97.68	149.3	97.78	149.72
<b>Gearing</b>	Times	2.76	3.91	3.1	4.04	3.13
<b>CRAR</b>	%	27.46%	28.20%	26.05%	-	26.05%
<b>GNPA</b>	%	1.96%	1.97%	2.03%	1.88%	1.90%

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL**

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

Sr. No.	Name of Instrument	Current Rating (2024)			Rating History for the past 3 years		
		Type	Amount (Rs. Cr)	Rating	2023 (17 July 2023)	2022 (17 June 2022)	2021 (25 June 2021)
1	NCD	Long Term	0.00	-	Withdrawn on account of redemption (rated amount was Rs. 25 Crs)	BWR BBB/ Negative (Reaffirmed)	BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications & assigned a Negative Outlook.
2	NCD	Long Term	9.17	BWR BBB/ Stable (Reaffirmation with Revision in outlook)	BWR BBB/ Negative (Rating Reaffirmed)	BWR BBB/Negative (Assigned)	-
3	NCD	Long Term	0.00	Withdrawn on account of premature redemption	BWR BBB/ Negative (Rating Reaffirmed)	BWR BBB/Negative (Assigned)	
4	NCD	Long Term	19.69	BWR BBB/ Stable (Reaffirmation with Revision in outlook)	BWR BBB/ Negative (Rating Reaffirmed)	BWR BBB/Negative (Assigned)	-
5	Bank loan	Long Term	0.00	-	Withdrawn on non utilization (rated amount was Rs. 139.38 Crs)	BWR BBB/Negative (Reaffirmed)	BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications & assigned a Negative Outlook

6	Bank loan	Long Term	0.00	-	BWR BBB/Negative (Reaffirmation and Withdrawal) (rated amount was Rs. 67.3 Crs)	BWR BBB/Negative (Reaffirmed)	BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications & assigned a Negative Outlook
7	Bank loan	Long Term	0.00	-	Withdrawn on full repayment (rated amount was Rs. 57.21 Crs)	BWR BBB/Negative (Reaffirmed)	BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications & assigned a Negative Outlook

**Total Rupees Twenty Eight Crores and Eighty Six lakhs Only**

**COMPLEXITY LEVELS OF THE INSTRUMENTS:**

Instruments	Complexity Level
NCD INE774L07057	Complex (as it has put option)
NCD INE774L07032	Complex (as it has put option)
NCD INE774L07040	Simple

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Applicable Criteria:**

- **General Criteria**
- **Banks & Financial Institutions**
- **Approach to Financial Ratio**
- **BWR Withdrawal Policy**

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**Ananya Finance For Inclusive Growth Private Limited**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR: NIL**

**ANNEXURE II**

**INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS**

<b>Instrument</b>	<b>Issue Date</b>	<b>Amount raised Rs Crs</b>	<b>Amount (Rs Crs) outstanding as on 30-June-2023</b>	<b>Amount (Rs Crs) outstanding as on 30-June-2024</b>	<b>Coupon rate (%)</b>	<b>Maturity Date</b>	<b>ISIN</b>	<b>Complexity Level</b>
NCD	08-Apr-2022	22	19.25	9.17	13.80%	25-Mar-2025	INE774L07032	Complex
NCD	12-Apr-2022	15	10	0	13.80%	25-Mar-2025	INE774L07057	Complex
NCD	19-July-2022	22.5	22.50	19.69	12.29%	19-July-2025	INE774L07040	Simple
		<b>59.50</b>	<b>51.75</b>	<b>28.86</b>				

**Rupees Twenty Eight Crores and Eighty Six Lakhs only**

**Note: INE774L07057 was fully redeemed prematurely on 28 March 2024**

**ANNEXURE- III**

**List of Entities Consolidated:**

<b>Name of Entity</b>	<b>% ownership</b>	<b>Extent of consolidation</b>	<b>Rationale for consolidation</b>
Prayas Finance Services Private Limited	65%	65%	Subsidiary



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