



RATING RATIONALE

27 Jan 2025

Ananya Finance For Inclusive Growth Private Limited

Brickwork Ratings (BWR) downgrades the rating of NCD of Rs. 20.53 Crores, with stable Outlook of Ananya Finance For Inclusive Growth Private Limited.

Particulars:

| Instruments** | Amount Rated (Rs. Crs.) | | Tenure | Rating* | |
|--|----------------------------|--------------|---|--|---|
| | Previous | Present | | Previous (15 July 2024) | Present |
| NCD # | 9.17 | 3.66 | Long Term | BWR BBB/ Stable (Reaffirmation with Revision in outlook) | BWR BBB-/ Stable (Downgrade) |
| NCD # | 19.69 | 16.87 | Long Term | BWR BBB/ Stable (Reaffirmation with Revision in outlook) | BWR BBB-/ Stable (Downgrade) |
| Total | 28.86 | 20.53 | Rs. Twenty Crores and Fifty Three Lakhs only | | |
| * Please refer to BWR website www.brickworkratings.com/ for definition of the ratings | | | | | |
| ** Details of Instruments (outstanding and redeemed) is provided in Annexure- II | | | | | |
| # Reduction in NCDs amount is due to redemption as confirmed by the Debenture Trustee | | | | | |

RATING ACTION/OUTLOOK

Downgrade of ratings at BWR BBB-/Stable for outstanding NCDs of Rs. 20.53 Crores, reduced from Rs. 28.86 Crores on account of redemption as confirmed by the company and the debenture trustee.

Brickwork Ratings (BWR) has downgraded the rating to BWR BBB-/ Stable for the outstanding NCDs of Rs. 20.53 Crs of Ananya Finance For Inclusive Growth Private Limited (AFIGPL or Ananya or the 'Company'), as tabulated above while maintaining a stable outlook.

The rating downgrade necessarily factors in the substantial deterioration in the asset quality of the company at a short interval i.e. in the Q3 of FY25, resulting in Gross NPA ratio weakening to more than 5%, which is one of the critical conditions of the rating sensitivity. The Gross NPA ratio was 2.03% as of 31 Mar 2024, 2.09% as of 30 Jun 2024, 3.37% as of 30 Sep 2024 and 6.86% as of 31 Dec 2024. The weakening asset quality was on account of declining collection efficiency and industry specific challenges to the micro finance sector. Substantial incremental slippages to NPA shall remain monitorable for any further rating action. However, BWR also notes that the Company has maintained its Net NPA ratio below 2%. The Net NPA ratio was 1.44% as of 31 Mar 2024, 0.98% as of 30 Jun 2024, 1.34% as of 30 Sep 2024 and 1.80% as of 31 Dec 2024. On an overall basis, higher provisions impacting profitability shall be other key rating sensitivities going forward. The rating however derives comfort from the strong support of the promoters/ investors of the company, the experienced board and management team of the company. The cautious approach on disbursements adopted by the company in the current industry scenario, restricts the AUM growth and may assist in



reducing its exposure to riskier loan portfolio going forward. The Company is also looking for growth in its loan book from a diversified secured portfolio. BWR also notes that under the current industry scenario, it shall continue to monitor the developments in the company and industry for an appropriate rating review.

AUM was Rs. 412 Crs as of 31 Mar 2024, Rs.415 Crs as of 30 Jun 2024, Rs.401 Crs as of 30 Sep 2024 on standalone basis. On a consolidated basis, the AUM was Rs.440 Crs as of 31 Mar 2024 and stood at Rs. 404 crs as of 31 Dec 2024. Declining AUM is attributed to a cautious approach to disbursing loans, likely driven by concerns about quality of the assets and also economic uncertainty. This conservative strategy, while aiming to mitigate losses, inadvertently slowed down the growth of the company's asset base. While degrowth in AUM in the Q2 FY25 was on account cautious disbursal approach, the slowdown in Q3FY25 was more on account of weakening asset quality. The Company's focus presently shall be to strengthen upon its collection and recovery measures, and disbursements may remain stagnant.

The stable outlook considers the comfortable CRAR at 26.37% and Tier 1 ratio at 23.07% as of 31 Dec 2024. The capital position as on 31 Dec 2024 provides sufficient cushion to absorb potential losses in the near term. BWR expects the support of the marquee investors like GOJO & Company Inc to continue with the company over the long term basis

BWR notes that the company has breached financial covenants on PAR 30+ associated with debt instruments and awaits receipt of waiver or relaxation of the covenant from the investors. In case of non-receipt of the same, BWR shall appropriately review the rating. As of 30 Sep 2024, PAR 30+ was 5.77% and as of 31 Dec 2024 was 10.53%.

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED:

- INE774L07032: The instruments are secured, unlisted, and redeemable in the nature of non-convertible debentures (NCDs) amounting to Rs. 22.00 Crores. The present outstanding is Rs. 3.66 Crs upon premature redemption. The instruments were issued on 08 Apr 2022 for a tenor of 2 years 11 months and 27 days. The NCDs would be secured by the creation of a first-ranking exclusive charge on the standard receivables with a cover of 1.1 times of the aggregate of the redemption amount and accrued coupon. The NCDs have a fixed coupon rate of 13.80% compounding on monthly basis to be serviced on monthly basis beginning from 07/05/2022, 07/06/2022 and so on till its maturity.
- INE774L07040: The instruments are secured, listed redeemable in the nature of non convertible debentures (NCDs) amounting to Rs. 22.50 Crores. The present outstanding is Rs. 16.87 Crs after redemption in terms of NCDs. (i.e Rs. 2.8125 Crs each on 19 July 2023 and 19 July 2024) . The instruments were issued on 19 July 2022 for a tenor of 3 years. The NCDs would be 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 NCDs have a fixed coupon rate of 12.29% to be serviced semi-annually.



KEY RATING DRIVERS:

Credit Strengths:-

- **Continuous support from investors-** The Company has strong support from its investors which includes Gojo & Company Inc holding 95.83%, Indian Foundation for Inclusive Growth with 4.07% and the rest is by individuals, as of 31 Dec 2024. Gojo & Company Inc (Gojo) being the key shareholder has an investor base that 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. Inc has invested in companies like Satya Microcapital, AVIOM India Housing Finance and Loan Frame Technologies in India.
- **Comfortable capitalization-** Capital adequacy is consistently maintained well above minimum regulatory requirement of 15%, CRAR as on 31 Mar 2024 was 26.05%, 29.62% as on 30 Jun 2024, 27.51% as on 30 Sept 2024 and 26.37% as on 31 Dec 2024. Strong CRAR will allow the company to pursue long-term growth opportunities and also to face temporary challenges. As of 31 Dec 2024, the Tier 1 ratio at 23% is declining over the previous quarter, for absorption of losses. The minimum regulatory requirement Tier 1 capital ratio is 10%, providing a substantial buffer to sustain any incremental losses. Any additional capital infusion during Q4FY25 from its existing marquee investors, shall support business growth and any other requirements. The company maintains a steady resource profile with borrowings from 23 lenders including NBFC, Private and Public Banks, PSUs and DFIs.
- **Experienced Management-** Ananya Finance for Inclusive Growth is managed by Mr.Abhisek Khanna- Managing Director experienced with over 2 decades in the banking industry. Ananya is promoted by Gojo & Company Inc (95.83 percent). Gojo and Company, Inc invested in Ananya in 2018 in the form of equity. Gojo & Company Inc has invested Rs.90.75 Cr. (Primary investment) since 2018 and currently holds majority stakes of 95.83 percent. Gojo & Company, Inc, a Tokyo based company, established in July 2014 has supported microfinance institutions in Cambodia, Kazakhstan, Sri Lanka, Myanmar and India.

Credit Risks:-

- **Substantial weakening of asset quality-** The Company's Gross NPA was Rs. 8.39 Crs as on 31 Mar 2024, Rs. 8.66 Crs as on 30 Jun 2024, Rs.13.52 Crs as on 30 Sep 2024 which substantially increased to Rs. 27.72 Crs as on 31 Dec 2024. A substantial slippage to Gross NPA in the Q3FY25 was mainly on account of declining collection efficiency and industry specific challenges to the microfinance sector. The Company maintained average monthly collection efficiency of ~96-97% during FY24, and the same was maintained till Jun 2024, however the decline which was marginal in Sep 2024, came down to 88% till Dec 2024. The Company expects an improvement in Collection efficiency during Q4FY25, with its measures on focussed approach, core team for early resolution of these accounts. While there have been higher slippages, the company expects recoveries by Mar 2025, and if required shall resort to write offs only to control its Gross NPA ratios. The Company informs of having strengthened its collection team with a dedicated focus on hard buckets in delinquencies. The Company's strong capital base provides the comfort to absorb abnormal losses, although the capital adequacy ratios shall be maintained as per the regulatory requirements and seek the promoter support in case of any



requirements. The Company has made 100% provisions on its wholesale book and does not expect any incremental costs on this segment while made provisions upto 75% on the retail book. Although the Net NPA ratios may be maintained at comfortable levels, Gross NPAs and provisioning costs impact on profitability shall remain key monitorables in the near to medium term. Presently the company is maintaining provision at 75% of its Gross NPA.

- **Increased Opex-** Given the Company's business growth plans and branch expansions had led to incremental operational costs, with the expectation of stabilised loan book growth generating comfortable income for meeting the opex to earn healthy profits. BWR Shall monitor the performance of the Company posts FY 25 financials are shared by the Company. During FY24 and FY 25 till date, the company has increased its branches from 18 to 136 including 118 branches of Prayas Financial services Ltd (subsidiary) and has an employee base of 1063 employees. With expansion of operations across the country, impairment of financial instruments, and slower disbursement, operating expenditure will remain higher compared to expected income levels.
- **Degrowth in portfolio to be rationalised with growth in secured lending portfolio-** Asset under management stood at Rs. 403 Crs as on 31 Dec 2024 . The Company seems to be short on its estimates for FY25 business growth and with lower disbursements from its existing microfinance business, the company had initiated building its secured lending portfolio. Scaling up its business growth from the secured micro lending book shall remain monitorable and a key indicator to overcome any financial PAR 30+ requirements to its investors. It may also support its earnings profile and assist in achieving sustenance over the medium term. The Company in its micro finance lending provides small-ticket joint-liability group (JLG) loans to low-income groups, which are vulnerable to the economic downturn, although the said portfolio has also assisted the company in building its loan book and earnings profile over the years. Further to mitigate risk associated with unsecured lending , the company 's growth in micro lending products with collateral shall be monitorable.

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: BWR expects continued support from its investors which has been crucial in maintaining its comfortable capital and adequate liquidity. Additional Capital infusion, improvement in liquidity and substantial increase in customer base with growth in profitability.

Negatives:

- Deterioration in asset quality with Gross NPA > 8% or
- Degrowth in portfolio by over 10 % from the existing level.



LIQUIDITY INDICATORS: ADEQUATE

The Company conveyed having a cash and bank balance of Rs.40.26 Crs. and deposits (Unencumbered) of Rs. 21 Crs. as of 31 Dec 2024. The debt repayment obligations for the next six months were Rs 130 Crs, for which its collections of Rs. 138 Crores over the next six months from its performing asset book shall be adequate to meet its near term debt obligation over the next six months. Steady collections from its performing asset book shall be monitorable.

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 FWWBs 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. During FY 23-24, AFIG acquired full stake in 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 | 31-Mar-2023 | 31-Mar-2024 | 30-Sep-2024 | 31-Mar-2023 | 31-Mar-2024 | 30-Sep-2024 |
| | | FY22 | FY23 | FY24 | 6MFY25 | FY23 | FY24 | 6MFY25 |
| Result type | | (Audited) | (Audited) | (Audited) | (Unaudited) | (Audited) | (Audited) | (Unaudited) |
| Total AUM | INR Crs | 310.11 | 348.9 | 412.67 | 401 | 366.23 | 440.16 | 423 |
| NII | INR Crs | 14.63 | 21.97 | 29.91 | 24.35 | 26.82 | 46.49 | 28.4 |
| PAT | INR Crs | 1.04 | 2.34 | 1.13 | 0.90 | 2.54 | 2.09 | -2.01 |
| Tangible Net Worth | INR Crs | 93.98 | 97.68 | 149.3 | 167.01 | 97.78 | 149.72 | 161.04 |
| Gearing | Times | 2.76 | 3.91 | 3.1 | 2.12 | 4.04 | 3.13 | 2.34 |
| CRAR | % | 27.46% | 28.20% | 26.05% | 27.51% | - | 26.05% | 27.51% |
| GNPA | % | 1.96% | 1.97% | 2.03% | 3.37% | 1.88% | 1.90% | 3.37% |

Note: The company did not have consolidated financials prior to FY23, only after acquisition of Prayas, BWR has followed a consolidated approach

Key parameters of the company as of 31 Dec 2024:

- As per the portfolio at risk (PAR) and asset quality data shared by the Company. The total AUM Rs. 404 crs , PAR 90+ Rs. 27.72 crs , PAR 30+ Rs. 42.56 Crs, GNPA ratio 6.86%, NNPA ratio 1.80%.
- The Company however had comfortable CRAR and Tier 1 ratio, however incremental provisions and its impact on profitability, adversely impact the CRAR and Tier 1 ratios shall remain monitorable.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: None with other CRAs

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

| Sr. No. | Name of Instrument | Current Rating (2025) | | | Rating History for the past 3 years | | |
|---------|--------------------|-----------------------|-----------------|--|--|---|--------------------------------|
| | | Type | Amount (Rs. Cr) | Rating | 2024 (15 July 2024) | 2023 (17 July 2023) | 2022 (17 June 2022) |
| 1 | NCD | Long Term | 0.00 | - | - | Withdrawn on account of redemption (rated amount was Rs. 25 Crs) | BWR BBB/ Negative (Reaffirmed) |
| 2 | NCD | Long Term | 3.66 | BWR BBB-/ Stable (Downgrade) | 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 | 16.87 | BWR BBB-/ Stable (Downgrade) | 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) |
| 6 | Bank loan | Long Term | 0.00 | - | - | BWR BBB/Negative (Reaffirmation and Withdrawal) (rated amount was Rs. 67.3 Crs) | BWR BBB/Negative (Reaffirmed) |
| 7 | Bank loan | Long Term | 0.00 | - | - | Withdrawn on full repayment (rated amount was Rs. 57.21 Crs) | BWR BBB/Negative (Reaffirmed) |
| | Total | | 20.53 | Rupees Twenty Crores and Fifty-Three lakhs Only | | | |

COMPLEXITY LEVELS OF THE INSTRUMENTS:

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



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

Applicable Criteria:

- **General Criteria**
- **Banks & Financial Institutions**
- **Approach to Financial Ratio**
- **Consolidation of Companies**

| Analytical Contacts | |
|--|---|
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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

Details of NCDs rated by BWR - INSTRUMENT DETAILS

Following is the list of Outstanding non-convertible debentures as of 31st Dec 2024

| Instrument | Issue Date | Rated Amount Rs Crs | Coupon Rate (%) | Maturity Date | ISIN | Complexity \$ |
|------------|-------------|------------------------|--|---------------|-----------------------|---------------|
| NCD | 08-Apr-2022 | 3.66 | 13.80 | 25-Mar-2025 | INE774L07032-Unlisted | Complex |
| NCD | 19-Jul-2022 | 16.87 | 12.29 | 19-Jul-2025 | INE774L07040 - Listed | Simple |
| | | 20.53 | Rupees Twenty Crores and Fifty Three Lakhs Only | | | |

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

ANNEXURE- III

List of Entities Consolidated:

| Name of Entity | % ownership | Extent of consolidation | Rationale for consolidation |
|---|-------------|-------------------------|-----------------------------|
| Prayas Finance Services Private Limited | 100% | 100% | Subsidiary |



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