

RATING RATIONALE

17 June 2022

Ananya Finance for Inclusive Growth Private Limited

Brickwork Ratings reaffirms/ assigns the rating of Bank loan facilities of Rs. 350 Crs and Non convertible Debentures (NCDs) amounting to Rs 84.50 Crs of Ananya Finance For Inclusive Growth Private Limited. The rating for NCD issuance of Rs. 11.25 Crs of Ananya Finance For Inclusive Growth Private Limited is withdrawn on redemption in full.

Particulars:

Facility / Instrument	Amount Rated (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (25 June 2021)	Present
Fund based Bank Loans: Term Loans/ Overdraft	150.02	210.62	Long Term	BWR BBB/ Negative (Rating Reaffirmed and removed from Credit Watch and assigned a Negative Outlook)	BWR BBB/ Negative (Rating Reaffirmed)
Proposed Term Loans	199.98	139.38			
NCDs	25.00	25.00			
NCDs	11.25	0.00			Withdrawal on full redemption
NCD	0.00	37.00			BWR BBB/Negative (Assigned)
NCD- Proposed	0.00	22.50			
Total	386.25	434.50	(Rupees Four Hundred Thirty Four Crore and Fifty 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/ assigns the rating of bank loans and NCDs of Ananya Finance For Inclusive Growth Private Limited (Ananya Finance) as tabulated above.

The rating continues to factor in adequate capitalization, experienced management team, support from its key shareholder Gojo Capital, geographically diversified portfolio & improvement in total loan portfolio.

The rating, however, is constrained by the moderate scale of operations, average asset quality, average resource profile and low profitability. The rating continues under Negative outlook on account of lower profitability caused by increased costs as a result of high levels of write offs during FY 21 and higher operating cost during FY22. While the company's collections have improved since Sep 2021, it shall remain a monitorable to reduce any further write offs and



better the recoveries/ collections over the near term. The company's ability to manage its asset quality through improved levels of assets under management, collections and less reliance on measures such as write offs will remain monitorable. During, the company's portfolio at risk over 30 days was a concern during FY 2022 and will remain a monitorable over the next few quarters. The Company has moved over from the wholesale microfinance segment and increased its focus on retail loans (comprising micro and small borrowers through Business Correspondence partnership), and the growth in the business from this segment with reducing levels of delinquencies will enable the company to manage its asset quality, and this shall be a monitorable over the next few quarters. BWR will also continue to monitor the liquidity position, collection efficiency and PAR book of the Company.

Brickwork Ratings (BWR) has withdrawn the rating on Non Convertible Debentures of Rs. 15 Crs, last O/s Rs 11.25 Crs as on 30 April 2022 on account of full redemption on 23 May 2022. The rating has been withdrawn on the basis of independent confirmation from the debenture trustee and Investor that these NCDs have been fully redeemed, along with the Company's request for withdrawal of the rating. The withdrawal of the rating on the NCD is in line with BWR policy of withdrawal.

KEY RATING DRIVERS

Credit Strengths:-

Improvement in Loan book.

Asset under Management had increased to Rs 316 Crs as on 31 March 2022 as against Rs 261 Crs as on 31 March 2021 i.e. registering a Y-o-Y growth of 21% over previous year.

In 2020, Ananya started lending directly to Micro-borrowers from its balance sheet under the business correspondence (BC) partnership. Ananya has also entered into co-lending partnerships. At present there are 9 BC partnerships and 3 co-lending partnerships. It expects to increase the BC/Co-lending partnerships to 15 in FY 2022-23.

Company had been steadily reducing disbursement to MFI wholesale segment which constituted 86% of the total AUM as on 31 March 2020, 33% as on 31 March 2021 and 7.02% as on 31 March 2022.

Company's main focus is on growing the retail MFI and MSME loan segments, which constitute 81% of total portfolio (Rs 256 Crs) as on 31 March 2022 and 52% as on 31 March 2021 with approx 88000 end borrowers as on 31 March 2022. Total disbursement across all segments has touched Rs 399 crore in FY 2021-22 as against Rs 210 Crs for FY 2020-21 and the same is expected to increase substantially over the medium term.

Going forward the Company expects the Retail segment (lending under BC/Co-lending arrangement) to be 80-85% of the total loan portfolio and increase in SME financing. The company's ability to increase the portfolio while maintaining the asset quality will be a key monitorable.

Comfortable capitalization levels coupled with resources raising ability

Company is comfortably capitalized with a CRAR of 27.46% as on 31 March 2022 (33.93% as on 31 March 2021). The promoter shareholders have regularly supported the company with equity infusion of Rs. 6.40 Crs in FY 18, Rs 51.19 Crs in FY 19 and Rs. 21.72 Crs in FY 20. Gearing has increased from 1.83 times as on 31 March 2021 to 2.76 times as on 31 March 2022 on account of increased borrowings from Rs 170 Crs to Rs 259 Crs and a continued support of equity infusion to reduce the gearing below 2x will be a monitorable.

Net worth of the Company had improved from Rs 92.69 Crs as on 31 March 2021 to Rs 93.64 Crs as on 31 March 2022. With the issuance of NCD of Rs 37 Crs and proposed NCD of Rs 22.50 Crs during the FY 2022-23, Company's Tier II Capital is expected to improve. Apart from NCDs above, the Company has raised approximately Rs 235 Crs of funds from various Banks/NBFCs during FY 2021-22 and additional borrowings are in the pipeline from various financial institutions and banks amounting to Rs.155.00 Crs.

The ability of the company to raise capital, to maintain its capital adequacy & Gearing levels will be a monitorable.

Support from largest shareholder:

Gojo & Company Inc is the key shareholder holding 70.37% equity stake in the Company at the end of FY 22. It has invested approx Rs 58.12 crore of Equity into the Company since 2017. Gojo's investor base includes Dai-ichi Life Insurance Co. Ltd, Marui Group Co., ASTM AX 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. Ananya's other Shareholders are Stitching Capital 4 Development(C4D), Netherland holding 23.90% stake in the Company as on 31 March 2022. C4D works in 44 countries in Africa, Asia and Latin America.

Experienced & Professional 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, Gojo & Company Inc.

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.

The Company has made an investment of Rs 12 Crs in Prayas Financial Services Pvt Ltd. (NBFC-MFI), with which it holds 55.5% stake in Prayas, in the current FY23. The Company



will take over the entire operational control and will divert its entire MFI business to Prayas which has presence in Gujarat, Rajasthan, M P and Haryana. Post this acquisition, Ananya will have a holding subsidiary(Prayas) to cater exclusively to the MFI business (including the BC model of lending to MFIs); while Ananya will have a portfolio primarily comprising retail loans and MSME. As of 31 Mar 2022, Prayas AUM was Rs. 66 Crs.

Credit Risks:-

Low Profitability:

The Company had written off Rs 19.77 Crs of bad loans in FY 2020-21 leading to a net loss of Rs 11.87 Crs in FY 2020-21. The company had a write-off of Rs 7.99 Crs during FY22, and reported a PAT of Rs 1.04 Crs due to reduction in average cost of borrowing from 13.48% in FY 2020-21 to 12.25% in FY 2021-22.

Average asset quality, albeit improving, remains monitorable: Ananya Finance's asset quality was average with PAR > 30 at 6.53% and GNPA level at 3.23% and Net NPAs at 1.75% as on 31 March 2021. However, the asset quality has improved to GNPA level at 1.96% and PAR > 30 at 3.35% as on 31 March 2022 on account of write-offs and improvement in average collection efficiency from 72% in FY 2020-21 to 92% for FY 2021-22. The gross NPA and PAR > 30 as of 30 Sep 2021 was a concern, and has since improved, however, it will remain monitorable over the near term.

The Company has changed its portfolio segment from MFI to retail (comprising retail MFI and MSME loans) from FY 2020-21. As on 31 March 2022, 0.28% of the retail portfolio was GNPA whereas 7.74% of the Agri portfolio was GNPA as on 31 March 2022. Going forward, the Company's ability to restrict the GNPA in the retail segment will be a key monitorable.

Leveraged Capital Structure: The Company is engaged in unsecured lending to marginal income borrowers with limited ability to absorb income shocks. It has over the years established a diverse resource base comprising 19 lenders which includes 4 banks and 15 financial institutions and NBFCs. Net Worth of the Company had slightly improved from 92.69 Crs as on 31 March 2021 to Rs 93.64 Crs as on 31 March 2022, however borrowings had increased by Rs 90.00 Crs in FY 2021-22, leading to increase in the Gearing levels from 1.83x as on 31 March 2021 to 2.76x as on 31 March 2022. Managing the gearing through equity infusion will be monitorable over the near term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Ananya Finance for Inclusive Growth. 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, profitability metrics, maintaining comfortable capitalization and adequate liquidity are key rating sensitivities.

Positive: Portfolio growth backed by stable asset quality, improvement in profitability, healthy capitalisation and Gearing are key rating drivers.

Negative: Deterioration in profitability and asset quality are the key rating sensitivities.

LIQUIDITY POSITION: ADEQUATE

The company gives loans to MFIs/micro borrowers for a tenure of 12-18 months. 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. As on 30 April 2022, the Company has liquidity of Rs 72 Crs in the form of Cash & Bank Bal & unencumbered Fixed Deposit of Rs 62 Crs, undrawn Term loan limit of Rs 10 Crs. Apart from this, the Company proposes to raise Rs 22.50 Crs through issue of NCD. The company has debt repayment obligations of Rs 108 Crs from May 2022 to Oct 2022, against which it has scheduled collections of Rs 132 Crs during the same period, indicating adequate liquidity.

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	FY21	FY22
Result Type		Audited	Audited
Total portfolio	Rs. in Crs.	261.44	315.25
Total Income	Rs. in Crs.	37.48	39.66
Profit after Tax	Rs. in Crs.	(11.87)	1.04
Tangible net worth	Rs. in Crs.	92.93	93.64
Gearing	Times	1.83	2.76
Gross NPA	%	3.23	1.96
CRAR	%	33.93	27.46

KEY COVENANTS OF THE INSTRUMENT/ FACILITY RATED: NIL

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 (2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crores)	Rating	2021	2020	2019
1	NCD	Long Term	11.25	Withdrawn on full redemption	25.06.2021	25.06.2020	17.05.2019
					Rs 11.25 Crore BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook	Rs 15 crore BWR BBB Credit Watch with Negative Implications BWR BBB Credit Watch with Negative Implications (19.05.2020)	Rs 15.00 Cr BWR BBB Stable (Assigned)
2.	NCD	Long Term	25.00	BWR BBB/Negative (Reaffirmed)	Rs 25.00 core BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook (25 June 2021)	Rs 25.00 cr BWR BBB Credit Watch with Negative Implications (Assigned) 25.06.2020	-
3	Cash Credit/Overdraft	Long Term	11.00 (Increased from Rs 6.00 crore)	BWR BBB/Negative (Reaffirmed)	Rs 6.00 crore BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with Negative Implications and assigned a Negative Outlook (25 June 2021)	Rs 6.00 crore BWR BBB Credit Watch with Negative Implications 25.06.2020	Rs 6.00 crore BWR BBB Stable 17.05.2019 Rs 6.00 crore BWR BBB Stable 06.05.2019
4	Term Loans	Long Term	339 (Increased from Rs 326.96)	BWR BBB/Negative (Reaffirmed)	Rs 344.00crore BWR BBB/ Negative Rating Reaffirmed and removed from Credit Watch with	Rs 244.00 crore BWR BBB Credit Watch with Negative	244.0 BWR BBB Stable 17.05.2019

			crore)	med)	Negative Implications and assigned a Negative Outlook (25 June 2021)	Implications 25.06.2020 Rs 244 Crore BWR BBB Credit Watch with Negative Implications 19.05.2020	244.0 BWR BBB Stable 06.05.2019
5.	NCD	Long Term	59.50	BWR BBB/Negative (Assigned)	-	-	-
Total			434.50	Rupees Four Hundred Thirty Four Crore and Fifty lakhs.			

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loans -Simple

NCD: Complex

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	Long Term (Rs in Cr)	Short Term (Rs in Cr)	Total@ (Rs in Cr)
1.	IDFC First Bank Limited	Term Loan	14.60	-	14.60
2	IDFC First Bank Limited	OD	5.00	-	5.00
3	Union Bank of India	Term Loan	3.90	-	3.90
4	Nabkisan Finance Limited	Term Loan	7.38	-	7.38
5	Nabard Financial Services	Term Loan	6.74	-	6.74
6	Nab Samruddhi Finance Ltd	Term Loan	15.97	-	15.97
7	Mudra	Term Loan	1.58	-	1.58
8	Maanaveeya Development & Finance Pvt Ltd	Term Loan	12.71	-	12.71
9	Vivriti Capital	Term Loan	27.29	-	27.29
10	Eclear Leasing & Finance Pvt Ltd	Term Loan	12.06	-	12.06
11	Western Capital Advisors Private Limited	Term Loan	2.92	-	2.92
12	Caspian Debt	Term Loan	4.17	-	4.17
13	MAS Financial Services Ltd	Term Loan	19.17	-	19.17
14	NABARD	Term Loan	5.00	-	5.00
15	Northernarc	Term Loan	12.31	-	12.31
16	Incred Financial Services Limited	Term loan	13.52	-	13.52
17	SIDBI	Term loan	14.30	-	14.30
18	IndusInd Bank	Overdraft	6.00	-	6.00

19	Samunnati	Term loan	6.00	-	6.00
20	Bandhan	Term loan	20.00	-	20.00
	Total allocated limits (A)		210.62	-	210.62
	Proposed Term Loans (B)		139.38	-	139.38
	Total Bank Loan Facilities (A+B)		350.00	-	350.00

Total Rupees Three Hundred Fifty Crores only

@Outstanding as on 30 April 2022.

ANNEXURE II - NCD DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NCD	17/07/2019	15.00 (O/s Rs 11.25 Cr as on 30 April 2022)	12.76%	Redeemed in full on 23 May 2022	INE774L07016
NCD	28/06/2020	25.00	11.00%	29/06/2023	INE774L07024- Listed
NCD	08/04/2022	22.00	13.80%	25/03/2025	INE774L0703 2-Unlisted
NCD	12/04/2022	15.00	13.80%	25/03/2025	INE774L0703 2-Unlisted
Proposed NCD		22.50			
Total		84.50			

Total Rupees Eight Four Crores Fifty lakhs only



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