Ananya Finance for Inclusive Growth Private Limited (AFIG)

January 28, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible Debentures (Promising Lenders Fund) – INE774L07032	22.00	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB/Stable (IVR Triple B with Stable outlook)	Rating downgraded; Outlook Revised	Simple
Non-Convertible Debentures (Vivriti Samarth Bond Fund) – INE774L07057	10.00	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB/Stable (IVR Triple B with Stable outlook)	Rating downgraded; Outlook Revised	Simple
Non-Convertible Debentures (UTI International Wealth Creator 4) – INE774L07040	22.50	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB/Stable (IVR Triple B with Stable outlook)	Rating downgraded; Outlook Revised	Simple
Total	**54.50 Rupees Fifty-Four Crores and Fifty Lakhs Only**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has downgraded its rating assigned to the Non-Convertible Debentures of AFIG on account of substantial deterioration in asset quality and profitability due to ongoing stress in the micro-finance industry. However, the ratings continue to derive strength from the strong promoters, comfortable capitalisation, consistent growth in scale of operations albeit moderation in 9MFY25 coupled with experienced management team.

The outlook has been revised to “Negative” from “stable” on account of expected moderation in AUM levels given the curtailed disbursements and expected further deterioration in asset quality and profitability of the company given the deteriorating collection efficiency. As per the management, it will take two more quarters for the collection efficiency to be back at 95% and above levels and fresh disbursements will be back on track in Q1FY26 onwards.

Infomerics has reviewed the financial covenant breach with ISIN INE774L07040 and INE774L07032. However, management has informed that they have already received waiver from covenants breach for ISIN INE774L07040 till June 2025 and for ISIN INE774L07032 till 31st March 2025.

Infomerics notes that there has been covenant breach with respect to ISIN INE774L07057; however, management has conveyed that the company has already prepaid these NCD's during March 2024 and has already requested for withdrawal of the ratings. Infomerics will withdraw the ratings post receipt of necessary documents and in accordance with Infomerics Policy of Withdrawal. (Policy on Withdrawal of Ratings)

Key Rating Sensitivities:

Upward Factors

- Substantial and significant improvement in the scale of operations and profitability while maintaining comfortable capitalisation and liquidity.
- Improvement in asset quality with GNPA decreasing below 2% with collection efficiency improving above 95%.

Downward Factors

- Significant deterioration in the scale of operations and capitalisation levels
- Any further deterioration in asset quality and profitability of the company from the current levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Promoters: Tokyo based Gojo & CO (Gojo), is the largest shareholder of AFIG who holds 95.83% as on 31st December 2024. Gojo & Co. has demonstrated support by providing periodic equity infusion. During FY24 (refers to period 1st April 2023 – 31st March 2024), Gojo has infused ~ Rs.64 crore. As per management, Gojo is committed to infuse capital as and when required.

Comfortable capitalisation: On the back of consistent capital infusion by the promoter, AFIG has been able to maintain comfortable capital adequacy levels over the years. As on December 31, 2024, the CRAR remained comfortable at 26.37%. (26.05% as on March 31, 2024).

Consistent growth in operations albeit moderation in 9MFY25: Company's AUM has consistently grown in the last 4 years from Rs 261.43 Crores in FY21 to Rs 412.70 Crores in FY24. The growth is driven on the back of AFIGs shift in focus from wholesale loan segment to retail loan segment. However, in 9MFY25, the AUM growth stagnated on the back of curtailed disbursements and the AUM moderated to Rs.403.90 crore. AFIG took a conscious decision to curtail fresh disbursements to focus more on improving the collection efficiency. The management has informed that the fresh disbursements will pick pace only post Q1FY26.

Experienced and professional management team with adequate systems and processes: AFIG is a professionally managed company, currently led by Mr. Abhishek Gupta, Managing Director and CEO who has more than 2 decades of experience in banking. AFIG has five-member board consisting of two nominee directors and two independent directors along with Managing Director. The company has invested significantly in technology to ensure the real-time availability of collection data, e-verification of customer details and cashless disbursements. AFIG has installed good tracking and MIS systems, which are adequate to support future growth expansion. Further, the company has sound loan origination and loan monitoring systems backed by strong credit appraisal policies.

Key Rating Weaknesses

Weak asset quality: AFIG's asset quality remained stable till FY24 with GNPA and NNPA of 2.03% and 1.45% respectively (FY23:1.97% and 0.72% respectively). However, due to the ongoing stress faced by the micro-finance industry due to various external factors impacting the collection efficiency, AFIG's asset quality has substantially deteriorated in 9MFY25 with GNPA and NNPA increasing to 6.86% and 1.80% respectively. Average collection efficiency for Q3FY25 stood below 90% with zero plus bucket increasing to 12.85% in 9MFY25 from

3.50% in FY24. The ability of the company to improve its asset quality given its high exposure to unsecured MFI/retail lending and MSME segment will be a key credit monitorable.

Low profitability: Despite improvement in NIM levels which improved on y-o-y basis to 7.84% in FY24 (FY23:6.66%) on the back of shift from wholesale loan segment to retail loan segment, given, the high cost to income ratio (~90% in FY24) as the company increased its branch network and given the higher credit costs, PAT declined to Rs 1.13 crore in FY24 from Rs 2.34 crore in FY23. Further, given the deterioration in asset quality on the back of collection efficiency issues faced by the company, AFIG reported net loss of Rs 12.70 crore in 9MFY25 due to higher credit costs. Going forward, the ability of the company to improve its profitability by improving its collection efficiency and reducing the delinquency levels will be a key rating monitorable.

Exposure to regulatory & socio-political risks inherent in the industry

Political and operational risks associated with MFI/MSME lending may lead to high volatility in the asset quality indicators. The MSME/MFI industry is prone to socio-political and operational risks, which could negatively impact the company's operations and thus its financial position. Further, unsecured lending to the marginal borrower profile and the political & operational risks associated with microfinance lending may result in high volatility in the asset quality indicators. The company's ability to on-board borrowers with good credit history, recruit and retain employees and maintain geographical diversity would be key for managing high growth rates.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments

Liquidity –Adequate

AFIGs liquidity remains adequate with cash and cash equivalents of Rs 61.13 crore as on 31 Dec 2024. It also has adequately matched ALM profile with no negative cumulative mismatches across various buckets as on 31 Dec 2024.

About the Company

Ananya Finance for Inclusive Growth Private Limited (AFIG) is an Ahmadabad based Non-Banking Financial Company (NBFC) registered under Reserve Bank of India (RBI). It was promoted by Friends of Women's World Banking – India (FWWB-I) in the year 2009 and started Microfinance operation from April 2010 after taking over MFI on-lending portfolio of FWWB. Gojo and Company, Inc invested in Ananya in 2018 in the form of equity. Gojo & Company currently holds majority stake of 96 percent. Gojo & Company, Inc, a Tokyo based company, established in July 2014 has supported microfinance institutions in Cambodia, Kazakhstan, Sri Lanka, Myanmar and India.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Income	62.27	82.45
PAT	2.34	1.13
Tangible Net worth	97.35	148.99
AUM	354.83	412.67
Ratios		
NIM (%)	6.66	7.84
ROTA (%)	0.53	0.20
Interest Coverage (times)	1.04	1.02
Total CRAR (%)	28.20	23.70
Gross NPA [Stage III] (%)	1.97	2.03
Net NPA [Stage III] (%)	0.72	1.45

* *Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 –	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	NCDs	Long Term	-	-	IVR BBB/Positive (5 April 2023) Withdrawn (20 March 2024)	-	-
2.	NCDs (Promising Lenders Fund)	Long Term	22.00	IVR BBB-/Negative	IVR BBB/Positive (5 April 2023) IVR BBB/Stable (20 March 2024)	-	-
3.	NCDs (Vivriti Samarth Bond Fund)	Long Term	10.00	IVR BBB-/Negative	IVR BBB/Positive (5 April 2023) IVR BBB/Stable (20 March 2024)	-	-
4.	NCDs (UTI International Wealth Creator 4)	Long Term	22.50	IVR BBB-/Negative	IVR BBB/Positive (5 April 2023) IVR BBB/Stable (20 March 2024)	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
Long Term NCDs -(UTI International Wealth Creator 4)	INE774L07040	15/07/2022	12.29%	18/07/2025	22.50	Listed	IVR BBB- /Negative
Long Term NCDs – Promising Lenders Fund	INE774L07032-	08/04/2022	13.80%	25/03/2025	22.00	Unlisted	IVR BBB- /Negative
Long Term NCDs - Vivriti Samarth Bond Fund	INE774L07057	12/04/2022	13.80%	25/03/2025	10.00	Listed	IVR BBB- /Negative

Annexure 2: Facility wise lender details (Hyperlink to be added): Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Term sheet for the Long Term NCD (Promising Lenders Fund)

Security Name	Long Term NCD (Promising Lenders Fund)
Issuer	Ananya Finance for Inclusive Growth
Investor	Promising Lenders Fund
Type of Instrument	Rated, Unlisted, Senior, Secured, Redeemable, Taxable, Non-convertible Debentures ["NCDs" or "Debentures"]
Issue Size	INR 22.00 crores
Object of the Issue	Onward lending
Coupon Rate	13.80% per annum payable monthly
Coupon Type	Fixed
ISIN	INE774L07032
Issue date	08/04/2022

Maturity	25/03/2025
Financial covenant	• Financial Indebtedness/TNW < 4.5x till March 23, and 4x after that. • No cumulative liquidity mismatch in any of the standard buckets up to 12 months on all standard liquidity buckets, as prescribed by RBI. For the purpose of this calculation, undrawn term loans are to be excluded. Issuer to be profitable in any financial year beginning FY22 (tested on 12 month basis) • CRAR > 20%, as per RBI norms • The Company shall at all times maintain a ratio of (x) the sum of Portfolio at Risk over 90 days plus restructured plus Net Charge-Offs during the last 12 months divided by (y) the Outstanding Gross Loan Portfolio of not greater than 6% from 1 Apr 22 till 31 Mar 23 and not greater than 3% from 1 Apr 23 onwards. • The Company shall at all times maintain the ratio NNPA less than 2% • Company will restrict direct wholesale lending to Non-Banking Financial Companies, Housing Finance Companies or Micro-Finance Companies to a maximum of 10% of the Outstanding Gross Loan Portfolio till the remaining tenor of the instrument. • Portfolio sourced through BC / Co-lending from single partner will be lower than 60% by Mar'23 and 40% by Mar'24. • No exposure to a single borrower will exceed 10% of NW.

Term sheet for the Long Term NCD (Vivriti Samarth Bond Fund)

Security Name	Long Term NCD (Vivriti Samarth Bond Fund)
Issuer	Ananya Finance for Inclusive Growth
Investor	Vivriti Samarth Bond Fund
Type of Instrument	Rated, listed, Senior, Secured, Redeemable, Taxable, Non-convertible Debentures ["NCDs" or "Debentures"]
Issue Size	INR 10.00 crores
Object of the Issue	Onward lending
Coupon Rate	13.80% per annum payable quarterly
Coupon Type	Fixed
ISIN	INE774L07057

Issue date	12/04/2022
Maturity	25/03/2025
Financial covenant	• Financial Indebtedness/TNW < 4.5x till March 23, and 4x after that. • No cumulative liquidity mismatch in any of the standard buckets up to 12 months on all standard liquidity buckets, as prescribed by RBI. For the purpose of this calculation, undrawn term loans are to be excluded. Issuer to be profitable in any financial year beginning FY22 (tested on 12 month basis) • CRAR > 20%, as per RBI norms • The Company shall at all times maintain a ratio of (x) the sum of Portfolio at Risk over 90 days plus restructured plus Net Charge-Offs during the last 12 months divided by (y) the Outstanding Gross Loan Portfolio of not greater than 6% from 1 Apr 22 till 31 Mar 23 and not greater than 3% from 1 Apr 23 onwards. • The Company shall at all times maintain the ratio NNPA less than 2% • Company will restrict direct wholesale lending to Non-Banking Financial Companies, Housing Finance Companies or Micro-Finance Companies to a maximum of 10% of the Outstanding Gross Loan Portfolio till the remaining tenor of the instrument. • Portfolio sourced through BC / Co-lending from single partner will be lower than 60% by Mar’23 and 40% by Mar’24. • No exposure to a single borrower will exceed 10% of NW.

Term sheet for the Long Term NCD - (UTI International Wealth Creator 4)

Security Name	Long Term NCD (UTI International Wealth Creator 4)
Issuer	Ananya Finance for Inclusive Growth
Investor	UTI International Wealth Creator 4
Type of Instrument	Rated, listed, Senior, Secured, Redeemable, Taxable, Non-convertible Debentures ["NCDs" or "Debentures"]
Issue Size	INR 22.50 crores
Object of the Issue	Onward lending
Coupon Rate	11.86% per annum payable semi-annually
Coupon Type	Fixed
ISIN	INE774L07040

Issue date	15/07/2022
Maturity	18/07/2025

Financial covenant	• **Capital Adequacy**: The Issuer shall maintain a ratio of Regulatory Capital divided by Risk Weighted Assets of at least twenty (20) per cent.
	• **Open Currency Position**: The Issuer shall maintain a ratio of Foreign-Currency Assets minus Foreign-Currency Liabilities divided by Regulatory Capital comprised between 150% and - 50%.
	• **Portfolio Quality**: The Issuer's [(Portfolio at Risk 30 Days+ Refinanced, Restructured/rescheduled + Write off previous 12 month) / Gross Loan Portfolio] shall be less than or equal to the following:
	  ◦ From April 2022 to September 2022: 8%
	  ◦ From October 2022 to March 2023: 7%
	  ◦ From April 2023: 5%
	• **Open Loan Position**: The Issuer shall maintain [(Portfolio at Risk More Than Thirty (30) Days + Refinanced, restructured, rescheduled – Loan Loss Reserve)/ Regulatory Capital] less than or equal to 20%.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.