Press Release

Ananya Finance for Inclusive Growth Private Limited

Revised Press Release

August 23, 2023

This is with reference to the Press Release dated April 05, 2023. The revised PR stands as follows:

The revised press release added the Detailed explanation of Non-financial covenants of the rated instrument/facilities as per the regulator guidelines.

Link to the press release dated April 05, 2023 published on Infomerics' website:

https://www.infomerics.com/admin/uploads/pr-AnanyaFinance-5apr23.pdf

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term NCD- (Union Bank of India)	25.00	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Assigned	Simple
Long Term NCD- (Promising Lenders Fund)	22.00	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Assigned	Simple
Long Term NCD- (Vivriti Samarth Bond Fund)	10.00	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Assigned	Simple
Long Term NCD- (UTI International Wealth Creator 4)	22.50	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Assigned	Simple
Total	**79.50 (Rs. Seventy-nine crore and Fifty lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the Non-Convertible Debentures (NCD) of Ananya Finance for Inclusive Growth Private Limited (AFIG) derives comfort from its reputed and resourceful investors indicating high financial flexibility, experienced and professional management team with adequate systems and processes, long presence in the microfinance and retail lending segment, comfortable capital adequacy ratio, growth in operation in FY22 and in 9MFY23, stable asset quality, wide geographic presence with diversified revenue segments. Further, the ratings also notes fresh equity commitments received by the company. These rating strengths are partially offset by its exposure to regulatory & socio-political risks inherent in the industry, thin profitability and moderate capital structure. The outlook is positive on the back expected fresh equity infusion and expected overall improvement in financial performance of the company in the near term.

Rating Sensitivities

Upward factors

- Improvement in scale of operations and asset under management
- Diversification in resource profile with decline in average cost of borrowings with improvement in the capital structure
- Ability of the company to raise equity and debt capital in a timely manner to maintain a prudent capitalisation profile
- Improvement in profitability by maintaining the credit costs and operating overheads on a sustainable basis, as the operations expands.

Downward Factors

- Moderation in scale of operations with sharp decline in asset under management and moderation in profitability
- Moderation in the capital structure with deterioration in CAR to below 16%
- Weakening of the profitability profile on account of higher operating overheads and higher credit costs, leading to further decline in ROTA
- Deterioration in the asset quality

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Backed by reputed and resourceful investors indicating high financial flexibility**

Tokyo based Gojo & Co., a renowned multinational investor, is the largest shareholder of AFIG. After establishing in July 2014, Gojo & Co. has supported many microfinance institutions worldwide in the countries like Sri Lanka, Myanmar, Kazakhstan, etc. Currently Gojo & Co has shareholding of 70.4% in AFIG after investing ~Rs.78.81 crore (including acquisition from existing shareholders through secondary transaction) in the company. Gojo's 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. This apart, AFIG has other reputed institutional investors like Stichting Capital 4 Development (23.90%), Indian Foundation for Inclusive Growth (5.60%) etc. Association with reputed and resourceful inventors indicates high financial flexibility for the company.

- **Experienced and professional management team with adequate systems and processes**

AFIG started its operation since 2010 after taking over Microfinance wholesale portfolio of Friends of Women's World Banking – India (FWWB-I). AFIG is a professionally managed company, currently led by Mr. Gaurav Gupta, a Chartered Accountant by qualification with 20 years of experience in banking. AFIG has eight-member board of directors consisting of four nominee directors and three independent directors along with Managing Director. This apart, there is a Senior Advisory Council (SAC) comprising two advisors, Mr. Naveen Kumar Maini and Ms. Jayshree Vyas. Mr. Maini has more than three and a half decades experience in commercial and development banking. He retired as Deputy Managing Director at SIDBI. Ms. Vyas is the Chairperson of Friends of Women's World Banking and Managing Director of SEWA Bank, both headquartered at Ahmedabad. She possesses over three and half decades of experience in the financial sector with a clear focus on financial inclusion and economic empowerment of socio-economically disadvantaged women. All the board and SAC members are well versed with the intricacies of the business operation of microfinance and NBFC. The company has invested significantly in technology to ensure the real-time availability of collection data, e-verification of customer details and cashless disbursements. Internal audits are conducted regularly, and the scope and coverage are in line with industry practices. AFIG has installed good tracking and MIS systems, which are adequate to support future growth expansion. Further, the company has sound loan monitoring systems.

- **Long presence in the microfinance and retail lending segment**

The company has an established presence in the MFI and retail lending segment with its long track record of operations of more than a decade in the sector. The company benefits from is established presence in the sphere of social development which enables association with various organisations and mobilisation of resources. On the back of its established and long presence, the company has managed to receive equity support from multinational reputed investors.

- **Comfortable capital adequacy ratio**

AFIG has maintained a satisfactory capital adequacy ratio (CAR) over the years. As on December 31, 2022, the CAR remained satisfactory at 26.54% (27.46% as on March 31, 2022). In Infomeric's opinion, AFIG would require additional equity capital to grow at the envisaged pace while maintaining prudent capitalisation levels. However, being backed by resourceful investors infusion of capital will not be a challenge.

- **Growth in operation in FY22 and in 9MFY23**

Since H2FY22 the demand of loans has increased which is attributable to rise in economic activities driven by gradual reduction in impact of covid pandemic. Rise in loan disbursement and rise in own loan portfolio, resulted in steady Y-O-Y growth in AUM to Rs.315.79 crore as on March 31,2022 from Rs.261.44 crore as on March 31,2021 driven by rise in own loan portfolio from ~Rs.260.61 crore as on March 31,2021 to Rs.315.24 crore as on March 31,2022. AUM further increased to Rs.334.77 crore as on December 31, 2022. With growth in AUM, the total operating income of the company increased from Rs.39.66 cr in FY22 to Rs. 44.89 cr in 9MFY23.

- **Stable asset quality**

AFIG has managed to keep its recovery rate ~92% in the last one year ending on March 2022 despite spread of pandemic and thereby lockdown coupled with turmoil in the domestic MFI sector in Q1FY22. The same has improved to ~96% in 9MFY23 with improve liquidity in the economy and close monitoring of collection. AFIG, though remains exposed to risks associated with the NBFC business, has been able to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. Further, delinquency risk is mitigated through FLDG taken from its BC/Co-lending partners in the form of cash collateral. The GNPA has remained ~2%, while NNPA was ~0.57% as on March 31, 2022. The portfolio at risk greater than 30 days (PAR>30 days), has improved in FY22 to 3.35% (from 8.17% as on March, 31, 2021) as on March, 31, 2022 and further remained range bound during the 9M FY23 and was at 3.31% as on December 31, 2022. The company's ability to maintain the asset quality in the new originations and maintain discipline will be important from a credit perspective.

- **Wide geographic presence with diversified revenue segments**

The company is operating in 22 states. Presence in wide geographic area provide competitive and operational advantages. The company broadly has three revenue segments – Retail loans

(BC and Co-lending), SME loans (Agri & MSME) and MFI Term loan (to MFIs). Having presence l in diversified revenue segments reduces dependency on the relatively risky MFI unsecured loans.

Key Rating Weaknesses

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

Political and operational risks associated with microlending may lead to high volatility in the asset quality indicators. The microfinance 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.

- **Thin profitability**

The profitability of AFIG remained thin in last two fiscals. Due to write off of bad loans (net off around Rs.19.07 crore) from defaulted MFI partners, the company marked net loss of Rs.11.87 crore in FY21. Furthermore, the same was also affected in FY22 where the company derecognised financial instruments worth Rs.3.34 crore (net), which resulted lower net profit of Rs.1.04 crore with a ROTA of 0.31% in FY22.

- **Moderate capital structure**

The capital structure of the company remained moderate marked by overall gearing of 2.79x as on March 31, 2022. In adverse economic situation, the moderate capital structure may limit AFIG's ability to raise further funds from FIs/Banks. However, the company has demonstrated healthy financial flexibility in the past.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial institution/NBFCs

Criteria of assigning Rating Outlook

Liquidity: Adequate

The company had adequate liquidity in the form of unencumbered cash and cash equivalents aggregating to ~Rs.95 crore, as on March 30, 2023. Further, as the advances comprise relatively shorter-tenure loans to BC partners and microfinance loans compared to the tenure of the borrowed funds, the asset liability maturity profile remains adequate. While Infomerics expects the company to meet its debt obligations in a timely manner, given the cash-in-hand and expected inflow from loan repayments, it would be important for AFIG to maintain its collection efficiency while ensuring the regular flow of funds to meet its internal growth projections.

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. In order to grow its loan assets, the company started wholesale lending to various MFI's across various states. Besides, the company also started lending to Agri business and MSME sectors since 2015. However, from September 2020, the company shifted its primary focus from wholesale lending to microfinance entities to microfinance lending through Business Correspondence (BC) model or Co-lending model through Microfinance Institutions. As on March 31, 2022, around 81% of total portfolio of the company is from retail lending. The company is currently having 33 own branches (through its subsidiary Prayas Financial Services Private Ltd) and 18 BC/Co-lending partners operating through more than 400 branches spread over 22 states in India. As on December 31, 2022, total AUM of the company was ~Rs.335 crore.

Gojo & Co. of Japan is the holding company of AFIG. During FY 2019, Gojo & Co. of Japan acquired a majority stake in the company and currently the largest shareholder. In June 2022, AFIG acquired a NBFC-MFI, Prayas Financial Services Pvt Ltd for having its own distribution channel to increase its Microfinance retail lending operation.

Currently, the operations of the company are managed by Mr. Gaurav Gupta, Managing Director, along with other seven directors and a team of experienced personnel.

Financials (Standalone): **(Rs. crore)**

For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	36.68	39.66

For the year ended* / As on	31-03-2021	31-03-2022
PAT	(11.87)	1.04
Tangible Net worth	92.69	93.64
Total Asset	290.77	383.04
Ratios		
ROTA (%)	-3.90	0.31
Interest Coverage (times)	0.47	0.91
Total CAR (%)	33.93%	27.46%
Gross NPA (%)	6.44%	2.10%
Net NPA (%)	3.55%	0.57%

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Long Term NCD- (Union Bank of India)	Long Term	25.00	IVR BBB/ Positive	-	-	-
2	Long Term NCD- (Promising Lenders Fund)	Long Term	22.00	IVR BBB/ Positive	-	-	-
3	Long Term NCD- (Vivriti Samarth Bond Fund)	Long Term	10.00	IVR BBB/ Positive	-	-	-
4	Long Term NCD- (UTI International Wealth Creator 4)	Long Term	22.50	IVR BBB/ Positive	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term NCD- (Union Bank of India) ISIN- INE774L07024	30-06-2020	11.00%	29-06-2023	25.00	IVR BBB/ Positive
Long Term NCD- (Promising Lenders Fund) ISIN- INE774L07032	08-04-2022	13.80%	25-03-2025	22.00	IVR BBB/ Positive
Long Term NCD-	13-04-2022	13.80%	25-03-2025	10.00	IVR BBB/ Positive

(Vivriti Samarth Bond Fund) ISIN- INE774L07057					
Long Term NCD- (UTI International Wealth Creator 4) ISIN- INE774L07040	19-07-2022	12.29%	18-07-2025	22.50	IVR BBB/ Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
NCD- Union Bank of India	**Financial Covenant**	i. Keep such adequate accounting and control system, MIS, books of accounts, and other records as are required to be maintained under Applicable Law and such accounts as are adequate to reflect truly and fairly the financial condition and results of operations and which shall contain full, true and correct entries in conformity with GAAP consistently applied and all requirements of applicable law. ii. At its sole cost and expense permit the DT as the representative of Debenture holders to enter into its premises and carry out technical and financial and legal inspections of its assets, facilities and inspect and make copies of the books of record and accounts of the company to discuss the affairs, finances and accounts of the company with and be advised as to the same by its officers. iii. The company shall ensure that the Debentures are rated by the rating agency and continue to be rated by the Rating Agency(ies) during the tenure of the Debentures.
	Non-Financial Covenant	i. The company shall utilize the monies received from subscription of the debentures to meet the funding requirements of the company for growth of loan portfolio. ii. Take all steps for making an application to WDM segment of the BSE within 15 calendar days from Deemed date of allotment iii. Diligently preserve its corporate existence and status and its license to conduct operation iv. Pay all costs, charges and expenses in any way incurred by the DT towards protection of Debenture-holders interest v. The debentures shall be secured by way of first ranking exclusive charge on the secured property vi. The company shall within 45 business days from the end of each financial quarter, furnish a quarterly report to the DT vii. Promptly and expeditiously attend to and redress the grievances, if any of the Debenture Holders. viii. Ensure that transaction documents shall be validly executed and delivered and will continue in full force and effect and will constitute valid, enforceable and binding obligations of the company ix. The company shall submit to the DT and Debenture Holders, if requested, the duly signed audited annual report within 180 days from the preceding financial year x. The company hereby covenants with the debenture trustee that until the final settlement date, the company shall not for so long as any amount remains outstanding under the debentures, except as may otherwise be previously agreed to in writing by DT upon the receipt of the prior written approval of the majority debenture holders.
Name of the Instrument		**Detailed Explanation**

NCD- Promising Lenders Fund	**Financial Covenant**	**Financial** 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.
	Non-Financial Covenant	i. Gojo to remain as majority shareholder for the tenure of this facility ii. Equity raise of Rs 70 crore before March 31, 2023

Name of the Instrument	Detailed Explanation

NCD- Vivriti Samarth Bond Fund	**Financial Covenant**	**Financial** a) Financial Indebtedness/TNW < 4.5x till March 23, and 4x after that. b) 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. c) Issuer to be profitable in any financial year beginning FY22 (tested on 12 month basis) d) CRAR > 20%, as per RBI norms e) 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. f) The Company shall at all times maintain the ratio NNPA less than 2% g) 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. h) Portfolio sourced through BC / Co-lending from single partner will be lower than 60% by Mar'23 and 40% by Mar'24. i) No exposure to a single borrower will exceed 10% of NW.
	Non-Financial Covenant	i. Gojo to remain as majority shareholder for the tenure of this facility ii. Equity raise of Rs 70 crore before March 31, 2023
Name of the Instrument		**Detailed Explanation**

NCD- UTI International Wealth Creator 4	**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%.

	Non-Financial Covenant	• 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.