



Press Release

Akara Capital Advisors Private Limited

June 28, 2024

Rating Downgraded and Issuer not co-operating

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|--|----------------------|
| Bank Loan Ratings | 10.00 | ACUITE BB+ CE Downgraded Issuer not co-operating* | - |
| Total Outstanding Quantum (Rs. Cr) | 10.00 | - | - |

Rating Rationale

Acuite has downgraded the long-term rating from 'ACUITE BBB (CE)' (read as ACUITE triple B (Credit Enhancement)) to 'ACUITE BB+ (CE)' (read as ACUITE double B plus (Credit Enhancement)) on the Rs.10.00 Cr. bank loan facility of AKARA CAPITAL ADVISORS PRIVATE LIMITED (ACAPL). The rating continues to be flagged as "Issuer not cooperating" and is based on the best available information.

Rationale for Downgrade:

The rating is downgraded on account of information risk which is critical for conducting surveillance & review of the rating.

The Rs 10.00 Cr transaction has a PCE in the form of unconditional, irrevocable, payable on demand guarantee by Northern Arc covering 18 percent of the issue size of the facility. The level of guarantee as a percentage of the aggregate outstanding principal of the issuance is, however, capped at 30 percent. If due to the amortization of the facility, the credit enhancement percent exceeds 30 percent of the aggregate outstanding principal of the issuance, the Guarantee Cap shall be reduced to 30 percent of the aggregate outstanding principal of the issuance (Revised Guarantee Cap). The final rating is assigned based on the fulfilment of the structure, terms and covenants detailed in the executed trust deed, deed of guarantee, legal opinion, debenture trust agreement, deed of hypothecation and other documents relevant to the transaction.

About the Company

Incorporated in 2016, Akara Capital Advisors Private Limited (ACAPL) is a Delhi based Nondeposit taking NBFC (ND-NBFC) registered with RBI effective 2017. ACAPL is promoted by Mr. Tushar Aggarwal and Mrs. Shruti Aggarwal, who collectively have over two decades of experience in financial services. ACAPL is engaged in lending customized personal loan products ranging Rs.0.01 lacs to Rs.5 lacs, primarily to salaried customer segment. The company is originating and disbursing loan through 'Stashfin', a platform developed and operated by group company, EQX Analytics Private Limited (EAPL). The company's AUM stood at Rs.1839.36 Cr. as on March 2024.

About the Group

Morus Technologies Pte Limited (MTPL) is a Singapore based company that commenced its operations in 2017 and is engaged in providing lending and tech services through its subsidiaries, ACAPL and EAPL respectively. MTPL is promoted by Mr. Tushar Aggarwal and Mr. Parikshit Chitalkar and is backed by investors like Tencent Cloud Europe BV and Uncorrelated Ventures and senior investment professionals of KKR.

About the Guarantor

Northern Arc, previously known as IFMR Capital Finance Ltd., is a Non-Deposit taking NonBanking Financial Company (ND-NBFC) incorporated in 1989. It is involved in the

placement (arranging funding for its clients via loan syndication, securitisation and assignment among others) and lending business. The company acts as a link between mainstream capital markets investors and highquality last mile lending institutions and businesses. The company's business is categorized as finance sector exposure, i.e., microfinance, affordable housing finance, commercial vehicle finance, consumer finance, agri-finance and small business loans, and non-finance sector exposure, i.e., mid-market finance and corporates.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of the Morus Technologies Pte Limited (MTPL) to arrive at this rating. This approach is in view of capital support from the interlinkages between tech businesses ('Stashfin' app, owned by EQX Analytics Private Limited (EAPL)), MTPL (capital support & holding company) and the NBFC lending arm (ACAPL).

Unsupported Rating

ACUITE BB-

Non-cooperation by the issuer/borrower:

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer / borrower failed to submit such information before the due date. Acuité believes that information risk is a critical component in such ratings, and noncooperation by the issuer along with an unwillingness to provide information could be a sign of potential deterioration in its overall credit quality. This rating is therefore being flagged as "Issuer not-cooperating", in line with prevailing SEBI regulations and Acuité's policies.

Limitation regarding information availability:

The rating is based on information available from sources other than the issuer / borrower (in the absence of information provided by the issuer / borrower). Acuité endeavored to gather information about the entity / industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

Assessment of Adequacy of Credit Enhancement (Applicable only for CE Ratings)

ACAPL has moderate experience in the unsecured personal loan and its capital position has been bolstered by capital infusions. Thus, even after considering risks such as possible asset quality deterioration, Acuité believes that the credit enhancement will stand adequate in all scenarios and in the event of any requirement, Northern Arc will provide the necessary support.

Rating Sensitivity

No information provided by the issuer / available for Acuite to comment upon.

All Covenants (Applicable only for CE & SO Ratings)

Financial Covenants

1. Minimum capital ratio of Tier I Capital and Tier II Capital to aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items shall not be less than 20.00 percent (Twenty Point Zero Zero percent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions, whichever is higher.
2. Maximum permissible ratio of Total debt to Tangible Networth shall be 2.50x.
3. Maximum permissible ratio of Net Non-Performing Assets to Gross Loan Portfolio shall be 5.00 percent.

Financial Covenants of Credit Enhancer

The Credit Enhancer shall at all times until the Discharge Date ensure that the financial covenants set out below are complied with until the Discharge Date: a. its Capital Adequacy Ratio of at least 15% (Fifteen percent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.

Liquidity Position

No information provided by the issuer / available for Acuite to comment upon.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY24 (Audited) | FY23 (Restated- Audited) |
|------------------------------------|---------|-------------------|--------------------------------|
| Total Assets | Rs. Cr. | 1504.37 | 1433.51 |
| Total Income* | Rs. Cr. | 656.21 | 140.69 |
| PAT | Rs. Cr. | 68.82 | 7.8 |
| Net Worth | Rs. Cr. | 592.77 | 411.4 |
| Return on Average Assets (RoAA) | (%) | 4.69 | 0.76 |
| Return on Average Net Worth (RoNW) | (%) | 13.71 | 2.25 |
| Debt/Equity | Times | 1.48 | 2.4 |
| Gross NPA (Owned portfolio) | (%) | 4.98 | 4.03 |
| Net NPA (Owned portfolio) | (%) | 2.21 | 2.62 |

*Total income equals to Net Interest Income plus other income.

Key Financials (Consolidated)

| Particulars | Unit | FY22 (Prov.) | FY21 (Prov.) |
|------------------------------------|---------|--------------|--------------|
| Total Assets | Rs. Cr. | 782.88 | 308.19 |
| Total Income* | Rs. Cr. | 78.53 | 24.59 |
| PAT | Rs. Cr. | (22.09) | (17.43) |
| Net Worth | Rs. Cr. | 207.12 | 217.29 |
| Return on Average Assets (RoAA) | (%) | (4.05) | (11.31) |
| Return on Average Net Worth (RoNW) | (%) | (10.41) | (16.05) |
| Debt/Equity | Times | 2.61 | 0.34 |
| Gross NPA | (%) | N/A | N/A |
| Net NPA | (%) | N/A | N/A |

*Total income equals to Net Interest Income plus other income

Status of non-cooperation with previous CRA

Not applicable

Any other information

None

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|----------------------------------|-----------|-----------------|--|
| 29 Dec 2023 | Term Loan | Long Term | 10.00 | ACUITE BBB (CE) (Downgraded & Issuer not co-operating* from ACUITE A- (CE) Stable) |
| | Proposed Term Loan | Long Term | 25.00 | ACUITE Not Applicable (Withdrawn) |
| | Proposed Term Loan | Long Term | 15.00 | ACUITE Not Applicable (Withdrawn) |
| | Proposed Term Loan | Long Term | 100.00 | ACUITE Not Applicable (Withdrawn) |
| 30 Sep 2022 | Term Loan | Long Term | 10.00 | ACUITE A- (CE) Stable (Assigned) |
| | Proposed Term Loan | Long Term | 100.00 | ACUITE BBB Stable (Assigned) |
| | Proposed Term Loan | Long Term | 25.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Term Loan | Long Term | 15.00 | ACUITE BBB Stable (Reaffirmed) |
| 01 Jul 2022 | Proposed Term Loan | Long Term | 15.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Term Loan | Long Term | 25.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Term Loan | Long Term | 10.00 | ACUITE Provisional A- (CE) Stable (Reaffirmed) |
| 04 Apr 2022 | Proposed Long Term Loan | Long Term | 10.00 | ACUITE Provisional A- (CE) Stable (Assigned) |
| | Proposed Long Term Loan | Long Term | 25.00 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Long Term Loan | Long Term | 15.00 | ACUITE BBB Stable (Reaffirmed) |
| 30 Dec 2021 | Proposed Long Term Bank Facility | Long Term | 25.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Proposed Long Term Bank Facility | Long Term | 15.00 | ACUITE BBB Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|------------------------------|----------------------|------------|----------------------|----------------------|----------------------|------------------|-------------------|--|
| Hinduja Leyland Finance Ltd. | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 10.00 | ACUITE BB+ CE Downgraded Issuer not co-operating* (from ACUITE BBB CE) |

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

| Sr.No. | Company Name |
|--------|--|
| 1 | Akara Capital Advisors Private Limited (ACAPL) |
| 2 | Morus Technology Private Limited (MTPL) |
| 3 | EQX Analytics Private Limited (EAPL) |

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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