

Press Release

Ambit Finvest Private Limited

March 20, 2021



Rating Assigned

Total Facilities Rated*	Rs. 900.00 Cr.
Total Bank Facilities	Rs. 750.00 Cr.
Long Term Rating	ACUITE AA-/ Stable (Assigned)
Proposed Commercial Paper	Rs. 50.00 Cr.
Short Term Rating	ACUITE A1+ (Assigned)
Proposed PP-MLD	Rs. 100.00 Cr.
Long Term Rating	ACUITE Provisional PP-MLD AA-/ Stable (Assigned)

*Refer annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE AA-**' (**read as ACUITE double A minus**) on the Rs. 750.00 Cr. bank facilities of Ambit Finvest Private Limited (AFPL). The outlook is '**Stable**'.

Acuité has assigned the short term rating of '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs. 50.00 Cr. proposed commercial paper program of Ambit Finvest Private Limited (AFPL).

Acuité has assigned the long term rating of '**ACUITE Provisional PP-MLD AA-**' (**read as ACUITE Provisional Principal Protected Market Linked Debentures double A minus**) on the Rs. 100.00 Cr. proposed principal protected market linked debentures of Ambit Finvest Private Limited (AFPL). The outlook is '**Stable**'.

The rating on the Rs. 100.00 Cr. proposed PP-MLD issue of AFPL is provisional and the final rating is subject to:

- Appointment of SEBI registered debenture trustee
- Execution of signing of Trust Deed
- Receipt of final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions of term sheet.

The rating factors in AFPL's experienced management, significant support from a marquee investor and strong resource raising ability. The rating also takes into consideration the diversified business profile as well as the established presence of Ambit Group in investment banking and asset management businesses supported by strong management and wide base of institutional clients. The capital infusion from the marquee investor, Poonawalla Group has resulted in healthy capitalization levels and low leverage at AFPL along with stronger ability to raise funds from banks and financial institutions. At a consolidated level, Ambit Group's networth stood at Rs. 854.66 Cr. with a leverage of 0.50 times as on March 31, 2020. Acuité has also noted the shift in AFPL's business strategy from structured finance book to a more granular SME lending which is expected to provide some cushion against asset quality shocks going forward.

Some of these rating strengths however, are constrained by the geographic concentration and low seasoning of AFPL's SME portfolio. The rating also takes into consideration the decline in on-time portfolio and rise in lower bucket delinquencies which is in line with the prevailing challenges faced by SME in the wake of pandemic. On a consolidated level, the earnings quality of Ambit Group is susceptible to volatility since a significant portion of its revenues is dependent on capital market conditions.

About the Group

Mumbai based Ambit Private Limited (APL), the holding company of the Ambit Group was incorporated in 1997 and has diversified line of business operations across various fund based and non-fund based businesses. Ambit Group is promoted by Mr. Ashok Wadhwa and offers customized solutions in the areas of Investment Banking (Corporate Finance and Equity Capital Markets), Institutional Equities & Research, Asset Management, Wealth Management and SME Lending.

The Ambit Group comprises Ambit Private Limited and its 16 subsidiaries (as on March 31, 2020). Ambit group has pan India presence and has a global footprint with offices in Singapore and USA.

About AFPL

Incorporated in 2006, Ambit Finvest Private Limited is the systematically important Non-Banking Financial Company (ND-SI NBFC) of Ambit Group. AFPL commenced its lending business in structured finance segment in 2011. Later, AFPL acquired the SME loan book of Finmax Credit & Finance Private Limited in September 2018 and commenced its SME lending business. Going forward the company would only be focusing on SME and Retail segment and has plans to down size the structure finance portfolio.

Analytical Approach

Acuité has considered consolidated view on the business and financial risk profile of Ambit Private Limited and its subsidiaries Ambit Finvest Private Limited and others to arrive at the rating (for list of subsidiaries as on March 31, 2020 refer Annexure I). The approach is driven by common management, shared brand, and strong operational and financial synergies between the group companies.

Key Rating Drivers

Strengths

- **Experienced management team driving portfolio growth at AFPL**

Ambit Finvest Private Limited (AFPL) is led by Mr. Sanjay Sakhija (Executive chairman) who has been associated with the Ambit group since 2003. Mr. Sakhija is supported experienced professional team comprising Mr. Sanjay Agarwal (CEO), Mr. Vikrant Narang (Deputy CEO) and Mr. Sanjay Dhoka (COO & CFO). Mr. Sanjay Agarwal heads the SME lending operations and has over two decades of experience in SME lending segment. The board also comprises independent directors Mr. K M Jayarao (ex Head – Global Credit Risk Management Group at ICICI Bank), Mr. Ameet Parikh and Ms. Shalini Kamath. The company also gains from expertise of senior advisor like Mr. Sunil Gulati (ex CRO at RBL Bank).

AFPL was a captive NBFC of Ambit Group till August 2018, having an exposure to mostly structured finance segment. However, post fund raising the company has changed its lending strategy whereby it is significantly expanding its SME portfolio and has curtailed structured finance. AFPL has demonstrated growth in its scale of operations by expanding its network of branches to 27 across 11 states. AFPL's outstanding loan portfolio stood at Rs. 814.59 Cr. as on March 31, 2020 (Rs. 766.92 Cr. as on March 31, 2019 and Rs. 426.54 Cr. as on March 31, 2018). The portfolio further increased to Rs. 868.05 Cr. as on December 31, 2020 (provisional). AFPL's AUM of Rs. 868 Cr. comprised SME portfolio of around Rs. 621 Cr. (71 percent of AUM) and Structured Finance portfolio of around Rs. 247 Cr. (29 percent of AUM) as on December 31, 2020 (provisional).

Acuité expects AFPL to maintain the growth momentum in its SME portfolio while diversifying its geographical reach.

- **Funding from marquee investor, comfortable capitalization levels**

AFPL's networth stood at Rs. 619.80 Cr. as on March 31, 2020 (Rs. 374.17 Cr. as on March 31, 2019). During FY2020, Adar Poonawalla (CEO- Serum Institute of India) invested around Rs. 234.63 Cr. in AFPL for a 24.9% stake. The investment was done through affiliate companies namely Rising Sun Holdings Private Limited and Jeevadraya Bio-Pharma Private Limited. Post infusion and due to inherent risks in wholesale lending, the company has stopped structured lending and has been focusing on growing its SME and retail book. In addition to being high-yielding, SME and retail portfolio shall provide granularity to AFPL's portfolio and help mitigate credit risk. The capitalization levels post equity infusion stood comfortable to support expansion plans of the company. AFPL's Capital Adequacy Ratio (CAR) stood comfortable at 67.35

percent as on March 31, 2020 (46.04 percent as on March 31, 2019). AFPL has low gearing levels of 0.69 times as on March 31, 2020 (1.07 times as on March 31, 2019) and 0.44 times as on December 31, 2020 (provisional).

Acuité believes that the company's comfortable capitalization levels will support its growth plans over the medium term.

- **Strong brand name and diversified business profile**

Ambit Group is an established brand with presence in investment banking, institutional equities, asset management, global private client and SME lending businesses. Mr. Ashok Wadhwa is the Group Chief Executive Officer and founder of Ambit Group. He is recipient of several awards, including the Priyadarshini Academy award for outstanding contribution in the field of financial management. Within the investment banking segment, Ambit is consistently ranked amongst the top 10 M&A advisory firms in India. The group has advised over 160 transactions with announced deal value of USD 23.5 billion. Ambit has strategic business alliance with Daiwa Securities Group Inc., Japan for M&A advisory services in Indo-Japan corridor and also has backing of QInvest to develop cross border M&A advisory services between MENA region and India. The group also caters to Mutual Fund, Insurance companies and FI's.

Ambit Finvest Private Limited (AFPL) the NBFC arm of the Ambit Group has a presence in SME and retail lending segment. Ambit Private Ltd (APL), the holding company along with the senior management hold 75 percent stake in AFPL. It draws strength from common brand name, capital and management support. Over the last few years, AFPL has received funding support from the parent at regular intervals. It also benefits from operational synergies in the form of established corporate governance set up at group level and integration of support functions like accounting, finance, human resources.

Acuité believes, Ambit group's established position in financial services and diversified fund based and non-fund based business operations will continue to support its business risk profile.

- **Earnings Profile**

At group level, the businesses can be categorized into fund based (comprising revenues from lending portfolio) which comprised 53.65 percent of total FY2020 revenues (9M FY2021 49.07 percent) (provisional) and fee based (which includes Corporate Finance, Institutional Equities, Asset Management, Merchant Banking) which comprised 46.35 percent of total FY2020 revenues (9M FY2021 50.93 percent provisional). While fund based revenues at AFPL levels have grown during FY2020 and 9M FY2021 on account of portfolio growth, fee based revenues during FY2020 declined on account of adverse market conditions and impairment in investment portfolio. On consolidated level as on March 31, 2020, Ambit Group reported losses of Rs. 32.91 Cr. (P.Y. losses: 9.69 Cr.) on account of MTM losses of Rs. 35 Cr. on proprietary investments portfolio and dip in fee based income due to overall adverse market conditions. However, with the pickup in capital market activities during 9M FY2021, the consolidated profits improved to Rs. 41.25 Cr (provisional).

On standalone basis, AFPL's profitability indicators were healthy marked by Net Interest Margin (NIM) which stood at 8.73 percent as on March 31, 2020. Annualized NIM as on December 31, 2020 (provisional) improved to 11.30 percent on the back of healthy disbursements in Q3 FY2021 at Rs. 147 Cr. Return on Average Assets (RoAA) had declined to 1.70 percent as on March 31, 2020 from 3.23 percent as on March 31, 2019 due to increase in operating costs thereby impacting earnings. Annualized RoAA as on December 31, 2020 (provisional) saw an improvement at 2.22 percent. Operating Expense to Earning Assts (OpEx) increased to 4.05 percent as on March 31, 2020 from 2.97 percent as on March 31, 2019 on account of expansion of branch network.

Acuité believes the earning profile of Ambit Group from the non-fund based business operations would remain susceptible to inherent risks in capital market and overall economic environment, while its fund based business operations would continue to drive the group's future growth trajectory.

Weaknesses

- **Relatively low seasoned portfolio; moderate asset quality**

AFPL commenced its operations in structured finance business in 2011 and the company has stopped disbursements in this segment post equity infusion since March 2020. Further, AFPL commenced its SME lending operations after acquiring the SME portfolio from Finmax in September 2018 and would be focusing on the SME and Retail segment going forward. Loans offered under SME lending have an

average tenure ranging between 1-3 years for unsecured loans and 10-15 years for secured loans. Unsecured loans comprise 20-25 percent of the total SME portfolio while rest are secured. The company's loan book of Rs. 814.59 Cr. as on March 31, 2020 has grown significantly from Rs. 766.92 Cr. as on March 31, 2019 and from Rs. 426.54 Cr. as on March 31, 2018. The outstanding loan portfolio stood at Rs. 868.05 Cr. as on December 31, 2020 (provisional). Due to substantial growth in SME book in the last few years, 70 percent of the overall portfolio had a seasoning of less than two years as on December 31, 2020.

The company has geographical concentration in states of Maharashtra, Delhi and Gujarat with the same constituting 72 percent of o/s portfolio and significant presence in large urban centers. At branch level top 5 branches out of 27 contributed 81 percent of the o/s portfolio as on December 31, 2020. The same branches contributed 86 percent as on March 31, 2020. AFPL is making concentrated approach to diversify its geographical presence and has expanded its branch network from 20 branches as on March 31, 2020 to 27 branches as on December 31, 2020. Along with this, the company is also targeting penetration in Tier 1 and Tier 2 cities while adding newer products in its offerings.

AFPL reported significant growth in portfolio while maintaining healthy asset quality with on-time portfolio at 94.12 percent, gross non performing asset (GNPA) at 1.59 percent and non performing asset (NPA) at 0.98 percent as on March 31, 2020. However, the on time portfolio as on December 31, 2020 (provisional) declined to 85.68 percent while GNPA stood at 0.81 percent and NNPA at 0.43 percent. The decline in on-time portfolio and rise in softer bucket delinquencies is in line with the prevailing difficulties faced by SME in the wake of pandemic. AFPL had conservative outstanding ECL provisions of Rs. 35.31 Cr. as on December 31, 2020 (provisional) as against GNPA of Rs. 7.02 Cr.

Acuité believes that the company's ability to maintain its asset quality given the low seasoned SME loan book and increased presence in the newer geographies will remain a key rating monitorable.

Rating Sensitivity

- Any significant deterioration in collection efficiency and asset quality
- Any material changes in the earnings of the Ambit Group
- Any regulatory developments in the sector

Material Covenants

AFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others. As per confirmation received from the client the company is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.

Liquidity: Adequate

AFPL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated December 31, 2020. The company has maintained unencumbered Cash and bank balances of Rs. 4.63 Cr., bank deposits of Rs. 30.00 Cr. and liquid mutual funds of Rs. 5.00 Cr. as on December 31, 2020 (provisional). The borrowing profile of AFPL of Rs. 280.85 Cr. as on December 31, 2020 (provisional) comprised Term loans (82 percent), MLD (16 percent) from Banks and NBFC/FIs. AFPL also has short term funding lines of Rs. 42 Cr. with low average utilization of 6 percent for six months ended January 2021. As per ALM statement, the company has debt servicing obligations of Rs. 120 Cr. over the period of one year. AFPL's total collection efficiency for three months ended January 2021 was in the range of 90 to 91 percent. The Group on a consolidated basis had maintained liquidity buffers of Rs. 179.49 Cr. as unencumbered cash and cash equivalents as on March 31, 2020.

Outlook: Stable

On account of AFPL's steady scale up in lending operations with focus on granular SME loan portfolio and comfortable capitalization along with synergies with the Ambit group and the Group's diversified business risk profile, Acuité maintains a 'Stable' outlook. The outlook may be revised to 'Positive' if there is a significant increase in the scale of the business along with sustained improvement in profitability while maintaining asset quality at AFPL and significant revenue and business growth of Ambit Group. The outlook may be revised to 'Negative' in case of sustained pressure on earnings/profitability indicators or asset quality of AFPL and lower than expected business growth of Ambit group.

Ambit Private Limited - Key Financials (Consolidated)

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	1382.94	1158.00
Total Income*	Rs. Cr.	184.22	209.25
PAT	Rs. Cr.	(32.91)	(9.69)
Networth	Rs. Cr.	854.66	664.63
Return on Average Assets (RoAA)	(%)	(2.59)	(0.93)
Return on Net Worth (RoNW)	(%)	(4.34)	(1.48)
Total Debt/Tangible Net Worth (Gearing)	Times	0.50	0.63
Gross NPA's	(%)	-	-
Net NPA's	(%)	-	-

* Total income equals to Net interest income plus other income

Ambit Finvest Private Limited - Key Financials (Standalone)

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	1070.16	806.53
Total Income*	Rs. Cr.	79.74	60.44
PAT	Rs. Cr.	15.96	19.74
Networth	Rs. Cr.	619.80	374.17
Return on Average Assets (RoAA)	(%)	1.70	3.23
Return on Net Worth (RoNW)	(%)	3.21	6.56
Total Debt/Tangible Net Worth (Gearing)	Times	0.69	1.07
Gross NPA's	(%)	1.59%	0.59%
Net NPA's	(%)	0.98%	0.25%

* Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None

***Annexure – Details of instruments rated**

ISIN	Name of Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
-	Term Loan	05-09-2018	Not Available	15-10-2021	21.11	ACUITE AA-/ Stable (Assigned)
-	Term Loan	30-12-2020	Not Available	03-01-2024	14.17	ACUITE AA-/ Stable (Assigned)
-	Term Loan	25-03-2019	Not Available	25-03-2024	32.50	ACUITE AA-/ Stable (Assigned)
-	Term Loan	30-09-2019	Not Available	30-09-2024	56.25	ACUITE AA-/ Stable (Assigned)
-	Term Loan	03-04-2018	Not Available	31-01-2023	12.50	ACUITE AA-/ Stable (Assigned)
-	Term Loan	29-01-2021	Not Available	29-01-2025	50.00	ACUITE AA-/ Stable (Assigned)
-	Term Loan	03-12-2018	Not Available	03-12-2021	8.18	ACUITE AA-/ Stable (Assigned)
-	Term Loan	24-09-2019	Not Available	24-09-2022	15.91	ACUITE AA-/ Stable (Assigned)
-	Term Loan	05-02-2021	Not Available	05-02-2024	25.00	ACUITE AA-/ Stable (Assigned)
-	Term Loan	03-04-2018	Not Available	03-04-2021	2.50	ACUITE AA-/ Stable (Assigned)
-	Term Loan	16-04-2019	Not Available	16-04-2022	8.33	ACUITE AA-/ Stable (Assigned)
-	Term Loan	28-06-2019	Not Available	28-06-2022	2.50	ACUITE AA-/ Stable (Assigned)
-	Term Loan	13-09-2019	Not Available	01-12-2023	13.74	ACUITE AA-/ Stable (Assigned)
-	Term Loan	30-06-2020	Not Available	30-06-2025	23.60	ACUITE AA-/ Stable (Assigned)
-	Term Loan	26-02-2021	Not Available	26-02-2026	25.00	ACUITE AA-/ Stable (Assigned)
-	Cash Credit	Not Applicable	Not Available	Not Applicable	3.00	ACUITE AA-/ Stable (Assigned)
-	Cash Credit	Not Applicable	Not Available	Not Applicable	3.75	ACUITE AA-/ Stable (Assigned)
-	Cash Credit	Not Applicable	Not Available	Not Applicable	20.00	ACUITE AA-/ Stable (Assigned)
-	Cash Credit	Not Applicable	Not Available	Not Applicable	10.00	ACUITE AA-/ Stable (Assigned)
-	Cash Credit	Not Applicable	Not Available	Not Applicable	5.00	ACUITE AA-/ Stable (Assigned)
-	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	396.96	ACUITE AA-/ Stable (Assigned)
-	Proposed Commercial	-	-	-	50.00	ACUITE A1+ (Assigned)

	Paper					
-	Proposed PP-MLD	-	-	-	100.00	ACUITE Provisional PP-MLD AA-/ Stable (Assigned)

Annexure I

List of subsidiaries of Ambit Private Limited considered for consolidation as on March 31, 2020

Sr. No.	Name of Entity	Relationship with APL
1	Ambit Capital Private Limited	Subsidiary
2	Ambit Finvest Private Limited	Subsidiary
3	Ambit Singapore Pte Limited	Subsidiary
4	Ambit Investment Advisors Private Limited	Subsidiary
5	Ambit Wealth Advisors Private Limited	Subsidiary
6	Ambit Wealth Management Private Limited (formerly known as Ambit Broking & Advisory Private Limited)	Subsidiary
7	Ambit Pragma Ventures Private Limited	Subsidiary
8	Ambit America Inc.	Subsidiary
9	Ambit Investments (Partnership Firm)	Subsidiary
10	Ambit Principal Investments (Partnership Firm)	Subsidiary
11	Ambit Principal Investment Advisors LLP	Subsidiary
12	AP Real Estate Fund Advisory Services Private Limited	Subsidiary
13	Ambit Capital (UK) Limited	Subsidiary
14	Ambit Mauritius Investment Managers Private Limited	Subsidiary
15	Ambit Welfare Trust	Controlled Entity
16	Ambit Flowers Asset Reconstruction Private Limited	Joint Venture

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