



**Press Release**  
**Auriolus Finvest Private Limited**  
**November 03, 2023**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.82	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	7.00	Provisional   ACUITE BBB   CE   Stable   Downgraded   Negative to Stable	-
Non Convertible Debentures (NCD)	15.00	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	62.82	-	-

**Rating Rationale**

Acuité has downgraded the long-term rating from **"ACUITE BBB-" (read as ACUITE triple B Minus)** to **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 40.82 Cr. bank facilities of Auriolus Finvest Pvt Ltd (AFPL). The outlook is revised from **'Negative'** to **'Stable'**.

Acuité has downgraded the long-term rating from **"ACUITE BBB-" (read as ACUITE triple B Minus)** to **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 15.00 Cr. non convertible debentures of Auriolus Finvest Pvt Ltd (AFPL). The outlook is revised from **'Negative'** to **'Stable'**.

Acuité has downgraded the long term rating from **'ACUITE Provisional BBB+(CE)' (read as ACUITE Provisional triple B plus (Credit Enhancement))** to **'ACUITE Provisional BBB(CE)' (read as ACUITE Provisional triple B (Credit Enhancement))** on the Rs. 7.00 Cr. bank facilities of Auriolus Finvest Pvt Ltd (AFPL). The outlook is revised from **'Negative'** to **'Stable'**.

The Rs 7.00 Cr transaction has a PCE in the form of unconditional, irrevocable, payable on demand guarantee by Northern Arc covering 15 percent of the issue size of debentures. The level of guarantee as a percentage of the aggregate outstanding principal of the debentures is, however, capped at 24 percent. If due to the amortisation of the debentures, the credit enhancement percent exceeds 24 percent of the aggregate outstanding principal of the debentures, the Guarantee Cap shall be reduced to 24 percent of the aggregate outstanding principal of the debentures (Revised Guarantee Cap).

The rating on the Rs. 7.00Cr. Proposed term loan with partial credit enhancement is provisional and the final rating is subject to execution of following documents:

1. Deed of Guarantee
2. Debenture Trusteeship Agreement/CPA Agreement
3. Deed of Hypothecation

**Rationale for the downgrade**

The downgrade in the rating is on account of weak profitability metrics and moderate growth

in operating revenue at a consolidated level. The profitability remained subdued due to high operating expenses. The group reported losses of Rs. 28.52 Cr in FY23 as compared to losses of Rs. 31.34 Cr in FY22 (losses for FY21: Rs 18.04 Cr.). Despite the increase in operating income from

Rs. 703.22 Cr in FY22 to Rs 1056.68 Cr in FY23, the EBITDA continues to be muted on account of high cost purchases due to the moderate business volume. Acuite also takes into account the decline of AUM in the lending arm of the group Auriolus Finvest Pvt. Ltd. (AFPL) wherein the AUM saw a de growth from Rs. 70.42 Cr in FY22 to Rs. 61.31 Cr in FY23, further as on Jun-23 the AUM stood at Rs. 50.40 Cr. The GNPA deteriorated from 1.34 percent as on March-22 to 2.31 percent as on March-23. Acuite takes note of the improvement in the revenue profile of Auriolus Finvest in FY2023, reflected through increase in Interest Income of Rs. 10.36 Cr. in FY2023 as against Rs. 6.02 Cr.in FY2022. Accordingly, AFPL posted positive PAT of Rs. 0.22 Cr. in Q1FY24 as against the losses of Rs. 0.25 Cr. in FY23.

The rating continues to factor in the group's experienced management and support from marquee investors. The capital support from the marquee investors, like Kalaari Capital, Accel, Inventus Capital and Mr. Nandan Nilekani has resulted in healthy capital structure and financial flexibility at the Group level. Power2SME Private Limited's networth on a consolidated basis stood at Rs. 61.45 Cr. as on Mar 2023 with a leverage of 2.05 times. The investors have ~78 percent stake in the parent company as on March 31, 2023. The rating further factors in expectations of capital support from promoters/ investors in the near to medium term which shall be instrumental for scaling up business operations.

### About the company

Auriolus Finvest Private Limited (AFPL), known with its Brand, "BizFunds" was incorporated in 2018 to carry on the business of lending to SME sector and working capital loans to Indian businesses to finance their purchase of manufacturing supplies: raw material and industrial equipment. The Company is a subsidiary of Power2SME Private Limited. In April, 2019, the Company has received the Certificate of registration from the Reserve Bank of India to carry on the business of Non-Banking Financial Institution without accepting public deposits.

### About the Group

Power2SME provides its B2B services through its digital ecosystem which delivers raw material procurement at competitive prices, MRO procurement, and access to finance to smaller SME's with an objective to provide them with higher efficiencies and profitability. Power2SME functions as a 'buying club' and helps SMEs benefit from economies of scale as a result of volume purchase and buying power across a large network of manufacturers. The company has 2 wholly owned subsidiary companies named Jijo India Private Limited & Auriolus Finvest Private Limited. Jijo India Private Limited was incorporated in October 2012 and engaged in the business of trading of various products. Auriolus Finvest Private Limited was incorporated in October 2018 and engaged in lending to SME sector by extending working capital loans to them.

Power2SME Private Limited (Power2SME) is a private limited company incorporated in 2012. The company is engaged in the business of trading of Metals (majorly Steel & TMT), Polymers, Yarn, Chemicals etc and sells its product in domestic market. Headquartered in Gurugram, Power2SME has 5 offices spread across Mumbai, Chennai, Kolkata, Ahmedabad and Pune. The company is led and promoted by Mr. R. Narayan (Founder & CEO) with the support of marquee investors.

### 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 high quality 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 nonfinance sector exposure, i.e., mid-market finance and corporates.

### Unsupported Rating

Acuite BB+/ Stable

### Analytical Approach

## **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the unsupported entity rating for the Rs. 7.00 Cr. Term loan facilities, the rating of Power2SME (ACUITE BB+/ Stable), and has further factored in the credit enhancement arising from the structure for the Rs. 7.00 Cr. term loan facilities. The suffix (CE) indicates credit enhancement arising from the PCE in the form of unconditional, irrevocable, payable on demand guarantee covering 15% of the initial principal value of the facility amount. The strength of the underlying structure and continued adherence to the same is central to the rating. Accounting for the Partial Credit Enhancement, the agency has downgraded the rating of the facility to ACUITE BBB (CE)/ Stable. The Credit Enhancement (CE) in the rating is solely for the rated issue and its terms and structure. The notched up rating of the loan facility incorporates the PCE in the form of guarantee by Northern Arc Capital Limited ("Northern Arc"), acting as the Credit Enhancer/ Guarantor.

Standalone Rating without CE support: Acuite BB+/Stable

Acuité has considered the consolidated view on the business and financial risk profile of Power2SME Private Limited and its subsidiaries Auriolus Finvest Private Limited and others to arrive at the rating. The approach is driven by common management, shared brand, and strong operational and financial synergies between the group companies.

## **Key Rating Drivers**

### **Strength**

#### **Strength of underlying structure of the Rs 7.00 Cr facility:**

The Credit Enhancer shall provide PCE, favouring Power2SME in the form of an unconditional, irrevocable guarantee that covers 15% to the extent of Guarantee Cap guaranteeing the repayment of principal and payment of interest amounts in relation to the facility. If due to the amortisation of the facility, the credit enhancement % becomes greater than 24% of the aggregate outstanding principal of the facility, the Guarantee Cap shall be reduced to 24% of the aggregate outstanding principal of the facility (Revised Guarantee Cap).

Borrower shall make payments of interest and principal amounts due and payable under the Facility Agreement into the Collection and Payment Account, opened and maintained by the Collection and Payment Agent by 4 PM IST, 5 (five) Business Days prior to due date (i.e., T5 Business Days). In case of non-payment by Borrower as stipulated above, Collection and Payment Agent shall on the same day, i.e., on the T-5 Business Day invoke the guarantees extended by the Guarantors and require the Guarantors to pay such amounts by 4 PM IST, 4 (four) Business Days prior to due date (i.e., T-4 Business Days) and Guarantors shall be jointly and severally liable to make such payment within the said timeline. In case of non-payment by the Borrower and the Guarantors as stipulated above, the Collection and Payment Agent shall on T-3 Business Days invoke the PCE and send a notice of 2 (Two) Business Day to the Credit Enhancer to make payments. Credit Enhancer shall make payment on T-1 Business Day (i.e. one day prior to the interest or principal due date) into the Collection and Payment Account. The facility has security in the form of exclusive first charge on identified book debts and receivables with 110% margin in favour of the lender. The security cover will be met from the date of disbursement of the facility

The trigger events are as follows:

1. Rating of the Borrower is downgraded below BB+ by the Rating Agency.
2. Rating of the Facility is downgraded below BBB by the Rating Agency
3. Any breach of any Financial or Reporting Covenants which is not cured within 90 days of the financial quarter in which the breach has happened

Acuité believes that the structure provides for adequate covenants to safeguard the

interest of the lender. The lender has enough buffers available to initiate corrective action and mitigate the risks arising out of non-adherence to the terms and conditions.

### **Experienced management team driving business growth**

Power2SME Private Limited (P2S) is led by Mr. R. Narayan (Founder & CEO). Mr. Narayan is a seasoned entrepreneur with around two decades of corporate experience. He was previously associated with working in sales and marketing profiles for Microsoft, Oracle and TATA Group. Having worked with SME segment closely and understanding their nuances he co-founded Denave India Private Limited a technology powered sales enabling services company. Later in 2012, with the support of marquee investors, Mr. Narayan founded Power2SME to further his cause to empower the SME segment. Mr. Narayan is supported by an experienced professional team with diverse expertise in areas of finance, treasury, investments, customer-ready technology solutions, networking alliances amongst others. Accel and Inventus Capital have board representation and P2S benefits from their expertise. Mr. Mahendran Balachandran (Partner – Accel) and Mr. Parag Dhol (Inventus Capital) are on the board of P2S.

The management team has been able to on-board various suppliers on their platform and blue-chip companies as customers to fulfill their MRO requirements like Vendata, Hindustan Zinc, Orient, L&T and others. P2S has seen an improvement in its NMV from 696.36 Cr FY22 to Rs.1046 Cr. for FY23. The company had seen a decline in NMV in FY21 (Rs 342 Cr), the decline was on account of company's migration to new credit policies for its customers followed by slowdown in economy and country-wide lockdowns induced by pandemic. The company had earlier achieved an NMV of Rs. 675 Cr. during FY2019 and also incurred losses and bad-debts on account of non recoveries of due from receivables. The management team since then has taken steps to improve its credit policies. The subsequent decline in traded volumes has resulted in the company not being able to achieve optimal levels of volumes required for break-even. Acuité believes that, the adoption of robust credit policies, on-boarding blue-chip clients to drive volumes and overall experience of the management will help the company to grow in a sustainable manner.

### **Funding from marquee investors, comfortable capitalization level**

The capital support from the marquee investors, like Kalaari Capital, Accel, Inventus Capital, Mr. Nandan Nilekani and IFC has resulted in healthy capitalization levels. P2S has low gearing and has been able to raise funds from banks and financial institutions. The investors have invested since the inception of P2S and have ~78 percent stake in the company as on June-23. P2S's networth stood at Rs. 61.45 Cr. as on Mar-23 with a gearing of 2.05 times. The support of the investors has helped the company to focus on business growth while taking corrective actions for a sustainable business model. The backing of the Investors has enable P2S to offer trade financing through their NBFC arm – Auriolus Finvest Private Limited thus enabling the Group to offer comprehensive solutions to their SME partners with respect to their raw material as well as their working capital requirements. The promoters are in discussion with existing and some new investors for another round of funding to drive growth in the volumes in its trading business and foster its NBFC business to help build its AUM and . These investments in business could help the P2S Group achieve break-even levels in medium term.

Acuité believes that the business risk profile of P2S will benefit from the presence and support of marquee investors.

### **Weakness**

#### **Moderate financial risk profile**

P2S commenced its operations in 2012. The group reported loss of Rs. 28.52 Cr. for FY2023 over an operating income of Rs.1056.68 Cr. as compared to loss of Rs. 31.34 Cr. over an operating income of Rs. 703.2 Cr. during FY2022. The company will be able to achieve break-even only once it achieves optimal levels of volumes in its trading segment and rationalize its high operating costs. Since the company is currently less dependent on funding lines from Banks & NBFC/FI for its business operations, the finance cost and debt repayment obligations remain low. For the NBFC Auriolus Finvest Private Limited the Net Interest Income (NII) improved to Rs. 4.92 Cr. as on March 31, 2023, from 1.54 Cr. as on March 31, 2022. However, as the NBFC



arm grows, the company would be in requirement of funding lines which could further add to the existing stress on profitability metrics unless, the company is able to optimize its overall operating costs and scale up business volumes. Additional capital infusions from investors, could help the business to maintain lower levels of finance costs in medium term, thus enabling the company to focus its resources in driving business growth.

### **Competitive nature of industry and susceptibility to cyclical nature of industry**

P2S competes with various players in the organized and unorganized segments in trading industry, thus limiting the pricing power. Metals (especially steel) constitutes around 60 percent of the total NMV for P2S. The steel consumption is majorly dependent on the economic activities taking place in and around the country, any significant slowdown in this industry will impact the revenue of the P2S's customers thus impacting P2S's credit profile.

### **Assessment of Adequacy of Credit Enhancement**

Power2SME has significant experience in its asset class and has moderately healthy asset quality. Thus, Acuité believes that the CE will stand adequate in all scenarios and in the event of any requirement, Northern Arc will provide the necessary support.

### **Rating Sensitivity**

- Ability to raise capital
- Sustained scale up in business operations
- Movement in liquidity, earnings profile and asset quality metrics
- Changes in Regulatory environment

### **All Covenants**

Auriolus Finvest Pvt Ltd (AFPL) is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

### **Liquidity Position**

#### **Adequate**

The Group's liquidity is adequate and has maintained cash and bank balance of Rs. 15.81 crore as on March 31, 2023. A major portion of P2S portfolio is against Bank Guarantee and Letter of Credit which is correspondingly discounted against the bank lines with matched tenure

### **Outlook - Stable**

Acuité believes that AFPL will maintain 'Stable' outlook over the near to medium term on account of healthy capital position and support from marquee investors. The outlook may be revised to 'Positive' in case P2S demonstrates significant and sustainable growth in its scale of operations while mitigating asset quality risks in portfolio. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up operations or in case of any sharp deterioration in asset quality and profitability levels

### **Other Factors affecting Rating**

None

### **Key Financials - Standalone / Originator**

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	85.14	79.90
Total Income*	Rs. Cr.	5.79	2.52
PAT	Rs. Cr.	(0.25)	(3.39)
Net Worth	Rs. Cr.	16.78	13.04
Return on Average Assets (RoAA)	(%)	(0.31)	(6.15)
Return on Average Net Worth (RoNW)	(%)	(1.69)	(27.70)

Debt/Equity	Times	1.51	3.47
Gross NPA	(%)	2.31	1.59
Net NPA	(%)	1.78	1.13

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

### Key Financials - Consolidated

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	1056.68	703.22
PAT	Rs. Cr.	(28.52)	(31.34)
PAT Margin	(%)	(2.70)	(4.46)
Total Debt/Tangible Worth	Times	2.05	1.05
PBDIT/Interest	Times	(0.25)	(2.73)

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

Not Applicable

### Any other information

#### Supplementary disclosures for Provisional Ratings

#### Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

#### Rating that would have been assigned in absence of the pending steps/documentation

The structure would have become null and void for the instrument. The rating of the instrument would have been equated to the standalone rating of the issuer (ACUITE BB+/Stable).

#### Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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](http://www.acuite.in).



## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Nov 2022	Term Loan	Long Term	1.35	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	5.77	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	14.33	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	16.28	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	15.00	ACUITE BBB-   Negative (Assigned)
	Term Loan	Long Term	7.00	ACUITE Provisional BBB+(CE)   Negative (Assigned)
	Term Loan	Long Term	3.09	ACUITE BBB-   Negative (Reaffirmed)
24 Mar 2022	Term Loan	Long Term	14.33	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	5.77	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.35	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	3.09	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	16.28	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	27.94	ACUITE BB+   Stable   Downgraded   Negative to Stable
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB+   Stable   Downgraded   Negative to Stable
CSB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.81	ACUITE BB+   Stable   Downgraded   Negative to Stable
Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.50	ACUITE BB+   Stable   Downgraded   Negative to Stable
UC Inclusive Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.57	ACUITE BB+   Stable   Downgraded   Negative to Stable
Not Applicable	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.00	Provisional   ACUITE BBB   CE   Stable   Downgraded   Negative to Stable
UC Inclusive Private Ltd.	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	5.00	ACUITE BB+   Stable   Downgraded   Negative to Stable

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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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