

Press Release

Ananya Finance For Inclusive Growth Private Limited

April 14, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE BBB Stable Reaffirmed	-
Non Convertible Debentures (NCD)	50.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	250.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.200.00 Cr. bank loan facilities of Ananya Finance for Inclusive Growth Private Limited (ANANYA). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 50.00 Cr. proposed non-convertible debentures of Ananya Finance for Inclusive Growth Private Limited (ANANYA). The outlook is '**Stable**'.

Rationale for the rating

The rating continues to take into account experienced management and support from existing investor Gojo & Company, Inc which has a stake of 70.37 percent in ANANYA as on December 31, 2022. The ratings factor in healthy Capital Adequacy Ratio(CAR) levels of 26.54 percent as on December 31, 2022. The ratings also factor in the significant traction shown in disbursements with AUM levels increasing to Rs. 334.77 Cr. as on 9MFY2023 and Rs. 315.79 Cr. as on March 31, 2022, from Rs. 261.44 Cr. as on March 31, 2021.

These strengths are offset by the low profitability parameters as indicated by its Return on Average Assets (ROAA) of 1.06 percent (Annualized) and Net Interest Margins (NIM) of 6.41 percent (Annualized) as on December 31, 2022. The company reported a PAT of Rs. 3.34 Cr. as on 9MFY2023 as against Rs. 1.04 Cr. as on March 31, 2022, and losses of Rs. 11.87 Cr. as on March 31, 2021. The rating is further constrained by moderate asset quality as reflected by the Gross NPA (90+DPD) of 2.29 percent as on December marginally deteriorating from 2.10 percent as on March 31, 2022.

Given the shift in the business model from wholesale lending (~100 percent of the o/s portfolio on March 31, 2020) to retail lending (~81 percent of the o/s portfolio as on March 31, 2022), its impact on the business profile is yet to be seen. Accordingly, Acuite expects the earning profile of Ananya to remain muted in near to medium term.

While Acuite takes cognizance of the healthy collection efficiency of the recently originated retail book and healthy provision cover of legacy portfolio of Ananya. Going forward, the company's ability to raise capital (both equity & debt), maintain collection efficiency & liquidity buffers as well as contain delinquencies across different time buckets and its resultant impact on profitability metrics would remain key monitorable.

About the company

Ahmedabad based Ananya Finance for Inclusive Growth Pvt. Ltd. (Ananya) was incorporated in 2009 and started its operations in 2010. Ananya is an NBFC set up by Friends of Women's World Banking – India (FWWB). Ananya started operations by taking over FWWB's Wholesale Microfinance Institution lending portfolio in April 2010. The NBFC has a diversified portfolio across Microfinance, Agrifinance and Impact MSME. Ananya operates through its headquarters in Ahmedabad and 25 exclusive partner branches from its co-lending/BC partnership as on March 31, 2022.

Ananya started with wholesale lending to financial institutions engaged in micro-credit loans in 2010, expanding its lending activities to the agriculture sector in January 2015 and direct lending to individuals through NBFC & NBFCMFIs in September 2020.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Ananya for the rating.

Key Rating Drivers

Strength

Experienced Management and reputed investors

Ananya Finance for inclusive growth is managed by Mr. Gaurav Gupta (M.D) having an experience of over 2 decades in the banking industry. Ananya is promoted by Gojo & Company (70.37 percent), Stichting Capital 4 Development (C4D) (23.90 percent) and Indian Foundation for Inclusive Growth (5.59 percent). Gojo and Company, Inc invested in Ananya in 2018 in the form of equity. Gojo & Company has invested Rs.58.13 Cr. (Primary investment) since 2018 and currently holds majority stakes of 70.37 percent. Gojo & Company, Inc, a Tokyo based company, established in July 2014 has supported microfinance institutions in Cambodia, Kazakhstan, Sri Lanka, Myanmar and India.

Ananya's board comprises of 8 members with one managing director, three independent director and four nominee directors. In addition, Ananya has 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. The Board of directors and members of SAC have vast industry experience. The management of Ananya also have a good experience in the field of microfinance industry. Ananya's board has representation from Gojo & Company, Inc. (Mr. Sanjay Gandhi & Mr Taejun Shin). Mr. Sanjay Gandhi, cofounder of Gojo & Company, Inc, joined the microfinance industry in 2003 and has international experience in MFI industry. Mr Taejun Shin is a Founder, Representative Director & CEO of Gojo & Company, Inc. Ananya continues to benefit from the expertise of their directors.

Acuité believes that Ananya's business profile will continue to benefit from the strong promoter support.

Comfortable capital buffer and resource raising ability

The company has comfortable capital buffer to support the future growth prospects. Ananya reported a CAR of 26.54 percent (Tier I: 26.49 percent) as on December 31, 2022 as against 27.46 percent (Tier I: 27.23 percent & Tier II :0.23 percent) as on March 31, 2022, and 33.93 percent (Tier I: 33.07 percent & Tier II: 0.86 percent (as on March 31, 2021). This decline in CAR was on account of increase in risk weighted assets in the subsequent periods. Apart from capital infusion from the investor Gojo and Company, Inc, Ananya has been able to raise funds in the form of debt. The company raised fresh borrowings of ~Rs 228.25 Cr during 9MFY23 which resulted a gearing of 3.30 times. The company has relationships with 19 banks including Public and Private Banks, PSUs, NBFC and DFIs.

Improvement in AUM

Ananya is an NBFC with a diversified portfolio across Microfinance, Agrifinance and Impact MSME. The company's AUM has improved from Rs. 261.44 Cr. as on March 31, 2021, to Rs. 315.79 Cr. as on March 31, 2022 which further improved Rs. 334.77 Cr. as on December 31, 2022. This improvement was on account of increase in disbursement which improved from Rs. 209.18 Cr. as on March 2021 to Rs. 399.15 Cr. as on March 2022 and Rs. 299.51 Cr. as on December 31, 2022. The increase in disbursements were observed in the Agri/SME product class, which improved from Rs. 30.79 Cr. as on March 31, 2021, to Rs. 140.64 Cr. as on March 31, 2022. The growth in business is largely driven by change in business strategy. The company started lending directly to micro finance borrowers via business correspondence and colending partnerships.

Ananya also acquired Prayas Microfinance Private Limited in June 2022. Prayas has an outstanding MFI portfolio of Rs. 94.11 Cr. as on December 31, 2022. Ananya looks forward to expanding their retail portfolio through Prayas Microfinance. Further, the company plans to use the resources of Prayas Microfinance to launch secured loans up to a ticket size of Rs.10 lakh.

Weakness

Low profitability albeit improving

Ananya's profitability metrics stood low marked by a NIM at 6.41 percent (Annualized) for 9MFY23. Return on Total Asset (ROTA) and Return on Average Asset (ROAA) also stood low at 0.27 percent and 0.31 percent for FY 2022 as against (4.08) percent and (3.90) percent for FY 2021, respectively. The company saw an increase in its Net Interest Income from Rs. 13.45 Cr. in FY 2021 to Rs. 14.63 Cr. for FY 2022, it further stood at Rs. 15.91 Cr. as on December 31, 2022. The company reported a PAT of Rs. 3.34 Cr. as on December 31, 2022 and Rs. 1.04 Cr. as on March 31, 2022, as against losses of Rs.11.87 Cr. as on March 31, 2021.

Acuite believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

Moderate asset quality

Ananya finance for Inclusive Growth reported moderate asset quality as reflected by the Gross NPA (90+DPD) of 2.29 percent as on December 31, 2022 marginally deteriorating from 2.10 percent as on March 31, 2022 (6.44 percent as on March 31, 2021). However, the company shown an improvement in on time portfolio which improved to 96.30 percent as on December 31, 2022, from 89.80 percent as on March 31, 2021.

Shift in business model

Ananya Finance for Inclusive growth has changed its portfolio segment from MFI(Wholesale) to retail. The wholesale MFI portfolio came down from 86.78 percent as on March 31, 2020, to 7.76 percent as on December 31, 2022. The impact of the shift in business model is yet to be seen. Accordingly, Acuite expects the earning profile of Ananya to remain muted in near to medium term.

ESG Factors Relevant for Rating

Ananya Finance for Inclusive Growth belongs to the NBFC sector which facilitates lending to the unbanked population. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The entity maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures

regarding related party transactions, vigil mechanism and whistle blower policy.

The board of directors of the company comprise of 3 independent directors who are women directors as well out of a total of 8 directors. The audit committee formed by the entity majorly comprises of independent directors with the objective to monitor and provide an unbiased supervision of the management's financial reporting process. Ananya also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair

Practice Code as enunciated by Reserve Bank of India's circular. Ananya aims to empower women by providing micro loans to help them generate additional income opportunities, hence making an economic contribution by way of financial inclusion. It continues to work on several community development initiatives and has also developed a social performance management system to facilitate financial stability of its staff and clients. As per RBI's guidelines on Information Technology framework for NBFCs, Ananya has put in place checks and balances to ensure adequate control over issues like cyber security and data privacy.

Rating Sensitivity

- Movement in capitalisation levels
- Movement in asset quality
- Movement in profitability metrics
- Portfolio growth

Material Covenants

Ananya is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position

Adequate

Ananya's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated February 28, 2023. The company has cash and cash equivalents of Rs. 74.20 Cr. as on December 31, 2022. The company is in talks with new and existing lenders to further aid its disbursements and liquidity.

Outlook - Stable

Acuité believes that the Ananya will maintain a 'Stable' outlook over the medium term supported by future capital infusions and expansion process. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while improving its profitability, asset quality and capitalization indicators. Conversely, the outlook may be revised to 'Negative' in case of challenges in attaining optimal capital support or significantly higher than expected pressure on asset quality or profitability margins

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	383.04	290.77
Total Income*	Rs. Cr.	15.35	14.20
PAT	Rs. Cr.	1.04	(11.87)
Net Worth	Rs. Cr.	93.98	92.94
Return on Average Assets (RoAA)	(%)	0.31	(3.90)
Return on Average Net Worth (RoNW)	(%)	1.11	(12.00)
Total Debt/Tangible Networth	Times	2.76	1.83

(Gearing)			
Gross NPA	(%)	2.10%	6.44%
Net NPA	(%)	0.57%	3.55%

*Total income equals to Net Interest Income plus other income

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

None

Any other information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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
05 Dec 2022	Proposed Bank Facility	Long Term	200.00	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	139.75	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB Stable Assigned
IDFC First Bank Limited	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	28.20	ACUITE BBB Stable Reaffirmed
Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.90	ACUITE BBB Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.82	ACUITE BBB Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.33	ACUITE BBB Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB Stable Reaffirmed

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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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