

Press Release

ANANYA FINANCE FOR INCLUSIVE GROWTH PRIVATE LIMITED January 17, 2025 Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	186.43	ACUITE BBB- Stable Downgraded	-
Non Convertible Debentures (NCD)	104.00	ACUITE BBB- Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	290.43	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) from **'ACUITE BBB'** (read as **ACUITE triple B**) on the Rs. 186.43 Cr. bank loan facilities of Ananya Finance for Inclusive Growth Private Limited (ANANYA). The outlook is **'Stable'**. Acuite has downgraded the long-term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) from **'ACUITE BBB'** (read as **ACUITE triple B**) on the Rs. 104.00 Cr. on non-convertible debentures of Ananya Finance for Inclusive Growth Private Limited (ANANYA). The outlook is **'Stable'**

Rationale for the rating.

The downgrade in the rating factors a significant deterioration in asset quality and collection efficiency, which is due to the ongoing stress in the micro-finance (MFI) segment. The asset quality has deteriorated, marked by a GNPA of 5.31 percent as on November 31, 2024, whereas the GNPA was 2.03 percent as on Mar 31, 2024. The total zero plus dpd for Nov '24 stands at over 11.46 percent. Since lower collection efficiency rates is one of the predominant factors of stress in the MFI segment, Ananya Finance for Inclusive growth has also struggled in this facet where collection efficiency has declined to ~92 percent. Rating further considers the company's subdued earnings profile, with a reported PAT of Rs. 1.13 crore as on March 31 2024. Furthermore, the PAT has declined to Rs. -2.73 crore as of November 30 2024, highlighting a continued weakening in financial performance. Accordingly, the Return on Average Assets (ROAA) has decreased to 0.20% as of March 2024, compared to 0.53% in March 2023, indicating a decline in operational efficiency. The rating take into account experienced management and support from existing investor Gojo & Company.

About the Company

Ahmedabad based Ananya Finance for Inclusive Growth Private Limited (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 partner branches from its co-lending/BC partnership as on September 30, 2024.

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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management and reputed investors

Ananya Finance For Inclusive Growth Private Limited 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, Stichting Capital 4 Development (C4D) (21.83 percent) and Indian Foundation for Inclusive Growth (5.11 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 72.93 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 9 members with one managing director, one executive director, three independent director and four nominee directors. In addition, Ananya has a Senior Advisory Council (SAC) comprising three advisors, Mr. Naveen Kumar Maini, Mr. Arindom Datta 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. Mr. Arindom Datta is the former Head of Rabo Foundation, South Asia. 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 26.05 percent (Tier I: 23.70 percent) as on Mar 31, 2024 as against 28.21 percent (Tier I: 23.93 percent & Tier II : 4.28 percent) as on March 31, 2023. Owing to the capital infusion from the investor Gojo and Company, Inc, Ananya's leverage position has improved from 3.91 percent as on Mar 31 2023 to 3.13 percent as on Mar 31 2024. The company has relationships with 21 lenders including Public and Private Banks, PSUs, NBFC and DFIs.

Weaknesses

Low profitability

Ananya's profitability metrics stood low marked by a NIM at 7.55 percent for FY24. Return on Total Asset (ROTA) and Return on Average Asset (ROAA) also stood low at 0.18 percent and 0.20 percent for FY 2024. The company reported a PAT of Rs. 1.13 crore as on March 31 2024. Furthermore, the PAT has declined to Rs. -2.73 crore as of November 30 2024.

Weak Asset Quality

Ananya Finance For Inclusive Growth Private Limited has reported a decline in asset quality, as evidenced by a rise in Gross NPA (90+ DPD) to 5.31% as of November 2024, up from 2.03% as of March 31, 2024. Additionally, the company's on-time portfolio has deteriorated to 88.54% as of November 30, 2024, compared to 95.10% as of March 31, 2024.

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 Sensitivities

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

All Covenants

The Issuer shall maintain that, on the last day of each calendar quarter (the "Testing Date"), it complies with the following covenants:

1. Portfolio Quality (On Standalone and Consolidated Basis)

- a. $PAR > 30 \text{ days} \leq 4\%$ till the redemption of debentures
- b. $PAR > 90 \text{ days} \leq 3.5\%$ till the redemption of debentures
- c. $PAR90+ \text{ Restructured Loan Ratio} \leq 5\%$ till the redemption of debentures
- d. Write-off Ratio below 2% till the redemption of debentures

2. Loan Loss Reserve Ratio (On Standalone and Consolidated Basis)

- a) For the loan book generated by the Issuer (and/or Prayas), $\text{Loan Loss Reserve Ratio} \geq 100\%$ of $PAR > 90 \text{ days}$ till the redemption of debentures
- b) Save for the above, $\text{Loan Loss Reserve Ratio} \geq 60\%$ of $PAR \geq 90 \text{ days}$ till the redemption of the debentures

3. Capital Adequacy Ratio (On Standalone and Consolidated Basis)

- a. Risk-weighted CAR $> 20\%$ or 5% above regulatory requirement whichever is higher
- b. Debt/Equity ≤ 4.5

4. Un-hedged open foreign currency ratio $< 25\%$ of tier 1 capital (On Standalone and Consolidated Basis)

5. Profitability (On Standalone and Consolidated Basis)

- a. Cost to Income Ratio $< 80\%$ (to be tested from Mar-26)
- b. Operational Self Sufficiency Ratio $\geq 100\%$

Definitions:

"Portfolio at Risk greater than 30 days or $PAR > 30$ " shall mean, in a district or a branch or on the Borrower's Gross Loan Portfolio at any point of time, as the case may be, the outstanding principal value of the Borrower's portfolio that has one or more instalments of principal, interest, penalty interest, fee or any other expected payments overdue for 30 days or more.

"Portfolio at Risk greater than 90 days or $PAR > 90$ " shall mean, in a district or a branch or on the Borrower's Gross Loan Portfolio at any point of time, as the case may be, the outstanding principal value of the Borrower's portfolio that has one or more instalments of principal, interest, penalty interest, fee or any other expected payments overdue for 90 days or more.

"Write Off Ratio" shall mean the ratio of (i) the total value of loans written off in the preceding 12 (twelve) months to (ii) the average gross loan portfolio, as presented in the Company's consolidated financial statements, where 'average gross loan portfolio' are calculated as the sum of GLP at period end 12 (twelve) months prior + GLP at period end now)/2.

"Loan Loss Reserve Ratio of PAR 30 days" shall mean the ratio of (a) loan loss reserve or allowance for

impairment losses, to (b) loans or other borrowed money with respect to which the debtor has not made the scheduled payments for at least 30 (thirty) days.

“Loan Loss Reserve Ratio of PAR 90 days” shall mean the ratio of (a) loan loss reserve or allowance for impairment losses, to (b) loans or other borrowed money with respect to which the debtor has not made the scheduled payments for at least 90 (ninety) days.

“Loan Loss Allowance” shall mean a contra asset account on the balance sheet created in anticipation of losses due to default.

“Capital Adequacy Ratio” calculated in accordance with the applicable regulations of the RBI.

“Un-hedged Open Foreign Currency Ratio” shall mean the ratio of (a) the Dollar equivalent of non-local currency liabilities minus non-local currency assets, to (b) the Dollar equivalent of the Company’s equity, as presented in the Company’s consolidated financial statements.

“Cost to Income Ratio” shall mean the ratio of (a) operating expenses to (b) the sum of net interest income after impairment losses and other income (net), as presented in the Company’s consolidated financial statements.

“Gross Loan Portfolio” means and includes the outstanding principal amounts of the loans on its own books, either originated by the Borrower or purchased as a part of its securitized portfolio

“Operational Self Sufficiency Ratio” shall mean the ratio of (i) the sum of interest income and other operating income to (ii) the sum of interest or financial expenses, operating expenses, and loan loss provisions or impairment losses, as presented in the Company’s consolidated financial statements.

“Debt to Equity Ratio” shall mean the ratio of Indebtedness to Equity.

“Equity” shall mean the total equity of the Company and its subsidiaries (if any) on a consolidated basis.

“Indebtedness” shall, with respect to a Person, mean any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent, incurred by such Person.

Liquidity Position

Adequate

Ananya’s overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated September 30, 2024. The company has cash and cash equivalents of Rs. 188 Cr. as on March 31, 2024. The company is in talks with new and existing lenders to further aid its disbursements and liquidity.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials :

Particulars	Unit	FY24 (Actual)	FY23(Actual)
Total Assets	Rs. Cr.	637.02	504.51
Total Income*	Rs. Cr.	30.40	23.31
PAT	Rs. Cr.	1.13	2.34
Net Worth	Rs. Cr.	149.30	97.68
Return on Average Assets (RoAA)	(%)	0.20	0.53
Return on Average Net Worth (RoNW)	(%)	0.91	2.45
Debt/Equity	Times	3.13	3.91
Gross NPA	(%)	2.03	1.97

Net NPA	(%)	1.45	0.72
---------	-----	------	------

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

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
19 Jan 2024	Proposed Long Term Bank Facility	Long Term	78.34	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	54.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.91	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	3.60	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	3.81	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	3.00	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.30	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	0.95	ACUITE Not Applicable (Withdrawn)
14 Apr 2023	Proposed Long Term Bank Facility	Long Term	139.75	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.82	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.33	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	28.20	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	11.90	ACUITE BBB Stable (Reaffirmed)
05 Dec 2022	Proposed Long Term 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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE774L07065	Non-Convertible Debentures (NCD)	17 Mar 2023	14.50	17 Mar 2025	20.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE774L07073	Non-Convertible Debentures (NCD)	27 Apr 2023	14.00	27 Apr 2025	17.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE774L07081	Non-Convertible Debentures (NCD)	21 Feb 2024	13.25	06 Dec 2027	54.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE774L07081	Non-Convertible Debentures (NCD)	21 Feb 2024	13.25	06 Dec 2027	12.72	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	112.89	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.28	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
IDFC First Bank Limited	Not avl. / Not appl.	Secured Overdraft	17 Jan 2024	Not avl. / Not appl.	20 Mar 2025	1.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Bandhan Bank	Not avl. / Not appl.	Secured Overdraft	28 Dec 2023	Not avl. / Not appl.	30 Dec 2024	1.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
State Bank of India	Not avl. / Not appl.	Secured Overdraft	27 Jul 2023	Not avl. / Not appl.	30 Jun 2024	1.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Nabsamruddhi Finance	Not avl. / Not appl.	Term Loan	17 Jan 2023	Not avl. / Not	01 Apr 2027	7.58	Simple	ACUITE BBB- Stable Downgraded (from

Limited				appl.				ACUITE BBB)
State Bank of India	Not avl. / Not appl.	Term Loan	07 Nov 2022	Not avl. / Not appl.	01 Dec 2025	9.30	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
State Bank of India	Not avl. / Not appl.	Term Loan	27 Jul 2023	Not avl. / Not appl.	01 Jul 2026	27.67	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	20 Feb 2024	Not avl. / Not appl.	28 Feb 2026	11.67	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Bandhan Bank	Not avl. / Not appl.	Term Loan	28 Dec 2023	Not avl. / Not appl.	30 Dec 2025	9.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Fincare Small Finance Bank Ltd.	Not avl. / Not appl.	Term Loan	30 Dec 2023	Not avl. / Not appl.	29 Dec 2025	5.32	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Tejas Chaugule Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.