



Press Release
ASHV FINANCE LIMITED
June 28, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB+ Stable Reaffirmed	-
Non Convertible Debentures (NCD)	15.00	ACUITE BBB+ Stable Assigned	-
Non Convertible Debentures (NCD)	150.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	215.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 15.00 Cr. Non-Convertible Debentures (including proposed facility) of Ashv Finance Limited (AFL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 50.00 Cr. bank facilities of Ashv Finance Limited (AFL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 150.00 Cr. Non-Convertible Debentures of Ashv Finance Limited (AFL). The outlook is '**Stable**'.

The rating continues to factor in the continuous support from the promoter Aavishkar Group by way of regular capital infusion and investment by marquee investors like Omidyar Network (ON) Mauritius, Developing World Markets and Triodos Investment Management. The rating reaffirmation takes into consideration the growth in portfolio from Rs. 727.89 crore as on March 2022 to Rs 1,070.3 crore as on March 2023 reflecting a YoY growth of 47 percent which is largely fueled by the strategy to concentrate on the small ticket sized business loans, thereby reducing the average ticket size from Rs. 1 Cr. in FY2019 to Rs. 0.08 Cr. in FY2023. Despite the limited seasoning of the portfolio, the monthly collection efficiency of the recently originated business loans portfolio stood at ~95 percent. Further, AFL has adequate capitalization levels at 20.75 percent with a tangible networth of Rs. 235.81 Cr. as on March 31, 2023.

The rating is however constrained by moderate asset quality as reflected by the Gross NPA of 3.48 percent as on March 31, 2023 (4.01 percent as on March 31, 2022). The GNPA remained moderate due to additional slippages in the 90+dpd bucket along with some portion of the legacy portfolio. The restructured portfolio remained at Rs. 13.13 crores as on March 31, 2023 (1.23 percent of the Total AUM), out of which, the portfolio restructured towards legacy book stood at Rs 9.78 Cr. (0.91 percent of the total AUM). Further, the company's profitability remained subdued as indicated by its Return on Average Assets (ROAA) which stood at 0.60 percent in FY23; 0.73 percent in FY22. The impact in profitability is owing to the increase in the operating expenses as reflected by its opex cost to earning assets of 9.01 percent (P.Y: 7.62 percent) and high credit costs. While Acuite takes cognizance of the healthy collection efficiency of the recently originated business loans portfolio and adequate provision cover of

legacy portfolio; the ability of the company to contain its operating costs and achieve economies of scale with growth in book would be a key rating monitorable. Moreover, the expected capital infusion in Q2FY23 remains critical to fuel the growth envisaged. 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

Incorporated in February 1998, Mumbai based Ashv Finance Ltd (AFL) is registered as non-deposit taking systemically important non-banking financial company. AFL is engaged in funding the MSME sector through various products both secured and unsecured financing. On October 08, 2020, the company had received the approval from Registrar of Companies for change in the name of the company from "Jain Sons Finlease Ltd" to "Ashv Finance Ltd". The company is promoted by the Aavishkaar group since 2011 which is focused on developing the impact ecosystem in the continents of Asia and Africa. The group is led by Mr. Vineet Rai who is the founder and Chairman of the group. The promoter group hold 61.97 percent of the equity shareholding in AFL as on March 31, 2023. The company started its lending operations in 2013 with venture-debt financing. In FY19, the revamping of the business model was done from venture debt financing to small ticket size business loan. AFL currently has customer presence in 20 states with a branch network of 36 branches as on March 31, 2023.

Analytical Approach

Acuité has considered standalone business and financial risk profile of AFL to arrive at the rating.

Key Rating Drivers

Strength

Support from promoter group coupled with experienced management

AFL is a part of the Aavishkaar Group which is focused on developing the impact ecosystem in the continents of Asia and Africa. As on March 2023, the Aavishkaar Group holds 61.97 percent stake in the company. During FY2019 and FY2020, the promoter group collectively infused equity of Rs 150 crore demonstrating continuous support to the company. The Aavishkaar group is led by Mr. Vineet Rai, founder and Chairman of the group, who is also on the board of AFL has more than 18 years of experience in financial industry. The company's board is well represented by 2 Independent Directors and 3 Nominee Directors among total of 8 Directors having significant experience in finance domain. The key managerial personnel comprise of professionals with significant experience in financial industry.

The company is also backed by marquee investors like Omidyar Network (ON) Mauritius, a philanthropic investment firm holding 12.58 percent stake; Triodos Investment Management, a wholly owned subsidiary of Triodos Bank, holding 9.8 percent stake and Developing World Markets, an asset manager and investment bank holding 7.87 percent stake in the company as on March 31, 2023.

Acuité believes that continuous support from the promoter group and the marquee investor coupled with experienced management will be central to support the business risk profile of the company.

Business growth driven by shift in lending towards small ticket MSME's

AFL's AUM grew from Rs. 727.89 crore as on March 2022 to Rs 1,070.3 crore as on March 2023 reflecting a YoY growth of 47 percent. The growth in business is largely driven by the strategy to concentrate on the small ticket sized business loans, thereby reducing the average ticket size from Rs. 1 Cr. in FY2019 to Rs. 0.08 Cr. in FY2023. The shift in granular portfolio has brought the share of business loans up to 96 percent of the AUM as on FY23 (P.Y : 89 percent). The company has adopted a hub and spoke model to increase its geographical penetration with total branch network of 36 and 182 spoke locations. In FY23, the company disbursed a total of Rs. 858.37 Cr. in FY23 (P.Y: Rs. 597.14 Cr.). The share of legacy book has reduced to 2.53 percent of the portfolio as on FY23 as against 10.28 percent as on FY22 hereby reducing the ongoing stress in the book to an extent.

Adequate capital structure

Acuité expects the capital structure to remain adequate over near to medium term. In FY23, the company has acquired the technology platform (Loan origination system) of its sister concern company i.e Tribe Tech to enhance its business distribution capabilities by the way of having an in-house loan origination system. The company has issued shares to its promoter group for the acquisition and reported a goodwill (intangible asset) of Rs. 103.57 Cr. AFL's overall CAR stood at 20.75 percent as on March 31, 2023 (P.Y: 28.58 percent) consisting of Tier I CAR of 19.91 percent and Tier II CAR of 0.84 percent. The company's capital structure is supported by a net worth and gearing of Rs. 235.81 crore (excluding goodwill arising from acquisition) and 3.51 times as on March 31, 2023, respectively. (Rs. 255.03 Crore and 2.42 times as on March 31, 2022). The company raised debt to the tune of Rs. ~925 Cr. in FY23 including borrowings through securitization transactions which aided in disbursements and overall AUM growth. Further, with the increase in leverage, the company is in advanced stages for a equity infusion of Rs. ~150 Cr. in Q2FY24 from existing and new investors which stands critical to fuel its growth plans. Additionally, a diversified funding profile with an ability to mobilize low-cost funds which will be the key factor facilitating the business scalability.

Weakness

Moderate asset quality

The company's asset quality remained moderate as reflected by GNPA and NNPA of 3.48 percent and 1.35 percent as on FY23. AFL has written off loans to the tune of Rs. 40.07 Cr. in FY23, out of which ~54 percent of the loans were from the legacy book. The legacy book reduced to Rs. 27.07 Cr. as on March 31, 2023 with a provision cover of 67 percent. In spite of prudent write-off measures undertaken, the Gross NPA remained moderate due to additional slippages in the portfolio. The provisioning for Stage 3 assets stood at 61 percent as on March 31, 2023. The restructured portfolio remained at Rs. 13.13 crores as on March 31, 2023 (1.23 percent of the Total AUM), out of which, the portfolio restructured towards legacy book stood at Rs 9.78 Cr. (0.91 percent of the total AUM). Going forward the performance of the legacy book, additional delinquencies from new book and the restructured book shall remain the key monitorable.

Modest profitability metrics

While the company has scaled up its loan portfolio steadily over the years from Rs. 316.81 Cr as on March 31, 2018 to Rs 1,070.30 Cr. as on March 31, 2023; the profitability of AFL remains subdued as indicated by its Return on Average Assets (ROAA) which stood at 0.60 percent in FY23; 0.73 percent in FY22. The impact in profitability is owing to the increase in the operating expenses as reflected by its opex cost to earning assets of 9.01 percent (P.Y: 7.62 percent). The rise in operating expenses is attributable to increased staff count, scaling up of operations. Further, as a measure of book cleaning, the company has written off loans from its new book as well as legacy book which has increased the credit costs. On a PPOP level, the company made profits of Rs. 43.05 Cr. in FY23 as against Rs. 14.27 Cr. in FY22. Going forward, any incremental increase in slippages from new book and legacy book will have a bearing on the credit costs, ultimately affecting the profitability of the company.

Acuité believes, the ability of the company to achieve economies of scale and improve profitability while maintaining asset quality will be crucial to the credit profile.

ESG Factors Relevant for Rating

Ashv Finance Limited (AFL) belongs to the NBFC sector which complements bank lending in India. 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. AFL's aims to provide funding to underbanked MSMEs that have a potential for growth. The company provides collateral-free, flexible financing for small businesses with the intent to assist their growth. It is important for AFL to assess the sustainability factors and the ESG practices followed by the larger borrowers in its lending portfolio. Financial inclusion being the core of its lending operations, AFL aims to create a

social impact in the area of community support and development. AFL has adequate policies for business ethics and CSR. The entity also has corporate governance policies on whistle-blower programme, related party transactions and vigil mechanism. AFL also maintains transparency in terms of disclosures pertaining to interest rate policy and adheres to the Fair Practice Code as disseminated by Reserve Bank of India's circular. The NBFC also maintains high level of transparency by way of disclosures regarding functioning of its board. AFL's board is adequately diverse with 3 women directors and 2 independent directors out of a total of 8 board of directors.

Rating Sensitivity

- Timely infusion of capital
- Slippages in the book
- Movement in gearing levels
- Movement in asset quality and collection efficiency
- Movement in profitability metrics

Material Covenants

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

Liquidity Position

Adequate

AFL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2023. The company's liquidity position is supported by cash and bank balance of Rs. 83.35 Cr as on March 31, 2023. Future liquidity position will hinge upon the company's ability to raise resources while continuing to achieve optimal portfolio collections.

Outlook:

Acuité believes that AFL will maintain a 'Stable' outlook over the near to medium term owing to the experienced management with support of the promoter group and marquee investors and adequate capitalization buffers. The outlook may be revised to 'Positive' in case of significant and sustainable growth in AUM while maintaining asset quality and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of significantly higher than expected pressures on asset quality or profitability as well as any delay in capital raising plans.

Other Factors affecting Rating

Not applicable

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)	FY21 (Actual)
Total Assets*	Rs. Cr.	1128.95	893.74	601.71
Total Income**	Rs. Cr.	114.89	68.11	63.31
PAT	Rs. Cr.	6.07	5.47	7.96
Net Worth***	Rs. Cr.	235.81	255.03	248.87
Return on Average Assets (RoAA)	(%)	0.60	0.73	1.43
Return on Average Net Worth (RoNW)	(%)	2.47	2.17	3.26
Debt/Equity	Times	3.21	2.42	1.37
Gross NPA	(%)	3.48	4.01	7.19
Net NPA	(%)	1.35	1.55	3.06

*Total assets exclude deferred tax assets

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

***FY23 Networth excluding goodwill arising from acquisition*

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

None

Any other information

Not applicable

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>
- 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, 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
28 Jun 2022	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	37.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	21.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	17.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE BBB+ Stable (Assigned)
20 Dec 2021	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
16 Nov 2021	Proposed Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	100.00	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	INE411R07103	Non-Convertible Debentures (NCD)	12 Nov 2021	13.45	25 Oct 2024	Simple	25.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07111	Non-Convertible Debentures (NCD)	21 Dec 2021	13.30	20 Dec 2024	Simple	17.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07129	Non-Convertible Debentures (NCD)	23 Dec 2021	12.30	23 Dec 2024	Simple	37.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07137	Non-Convertible Debentures (NCD)	31 Mar 2022	12.75	07 Mar 2025	Simple	21.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07152	Non-Convertible Debentures (NCD)	01 Jul 2022	12.90	30 Jun 2025	Simple	30.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07194	Non-Convertible Debentures (NCD)	29 Mar 2023	12.50	29 Mar 2026	Simple	20.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	INE411R07186	Non-Convertible Debentures (NCD)	26 Sep 2022	13.25	31 Jul 2025	Simple	10.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	6.59	ACUITE BBB+ Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.52	ACUITE BBB+ Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.00	ACUITE BBB+ Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	29 Oct 2021	11.00	03 Nov 2023	Simple	10.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	29 Mar 2022	9.15	29 Jan 2026	Simple	16.89	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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