



Press Release

February 15, 2024

**ASHV FINANCE LIMITED
Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB- Stable Downgraded	-
Non Convertible Debentures (NCD)	165.00	ACUITE BBB- Stable Downgraded	-
Total Outstanding	235.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to ‘ACUITE BBB-’ (read as ACUITE triple B minus) from ‘ACUITE BBB’ (read as ACUITE triple B) on the Rs. 70.00 Cr. bank facilities of Ashv Finance Limited (AFL). The outlook is ‘Stable’.

Acuite has downgraded the long-term rating to ‘ACUITE BBB-’ (read as ACUITE triple B minus) from ‘ACUITE BBB’ (read as ACUITE triple B) on the Rs. 165.00 Cr. Non-Convertible Debentures of Ashv Finance Limited (AFL). The outlook is ‘Stable’.

Rationale for downgrade:

The rating downgrade is on account of lower-than-expected business performance of AFL as reflected by 9MFY24 losses at PBT levels of Rs. 65.77 Cr. (prov.) vis-à-vis profits of Rs. 1.70 Cr. in last fiscal year. The decline in profitability is attributable to lower interest income coupled with sizable credit costs incurred. Due to internal ECL revamp, incremental provisioning requirement for slippages and write-offs for 450+dpd loans, AFL’s credit costs rose to Rs. 71.03 Cr. (prov.) for 9MFY24 from Rs. 46.36 Cr. for FY23. The downgrade also factors in the deterioration in asset quality metrics. The Gross NPA (%) (at POS including Interest) elevated to 11.32 percent as on Dec-23 from 6.27 percent as on Jun-23. The PAR-30 stood at 14.07 percent as on Dec-23. Furthermore, to maintain its capital buffers, the company adopted a conscious slowdown of disbursements in Q3FY24. The disbursements stood at Rs. 60.66 Cr. for Q3FY24 as compared to Rs. 109.03 Cr. for the previous quarter. (Rs. 858.37 Cr. for FY23). Going forward, the ability of the company to improve its asset quality and profitability while scaling up the portfolio shall remain a key rating monitorable.

The rating however continues to consider the support from the promoter Aavishkar Group and investment by marquee investors like Omidyar Network (ON) Mauritius, Developing World Markets and Triodos Investment Management. AFL received equity in the form of Series E CCPS from new investors to the tune of Rs. 91 Cr. in Q3FY24 and expects another tranche of Rs. 36 Cr. in last quarter of the fiscal year. Accordingly, the capital position has remained comfortable as indicated by a CRAR of 33.13 percent as on Dec-23 (20.77 percent as on Sep-23). The gearing adjusted for goodwill (arising out of acquisition) stood at ~2.5x as on Dec-23 vis-à-vis 3.21x as on Mar-23. Acuite believes that on the back of recent equity raise, the company’s capitalization shall remain adequate in near term to support its growth plans.

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 Finance 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.

Unsupported Rating

Not applicable

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 Aavishkar 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 Aavishkar 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.

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. The company raised equity in the form of Series E CCPS from new investors to the tune of Rs. 91 Cr. in Q3FY24 and expects another tranche of Rs. 36 Cr. in last quarter of the fiscal year. Accordingly, the capital position has remained comfortable as indicated by a CRAR of 33.13 percent as on Dec-23 (20.77 percent as on Sep-23). The gearing adjusted for goodwill (arising out of acquisition) stood at ~2.5x as on Dec-23 vis-à-vis 3.21x as on Mar-23. Additionally, a diversified funding profile with the ability to mobilize low-cost funds which will be the key factor facilitating the business scalability.

Weakness

Stressed asset quality

The company's asset quality remained stressed as reflected by Gross NPA (%) (at POS including Interest) at 11.32 percent as on Dec-23 which rose from 6.27 percent as on Jun-23. The PAR-30 stood at 14.07 percent as on Dec-23. The rise in NPA is owing to increase in slippages in 9MFY24 as well as decline in portfolio. The on-time book (including interest) stood low at 83.09 percent as on Dec-23. Going forward, any additional delinquencies shall have a bearing on the asset quality parameters of the company.

Decline in profitability

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 PBT declined YoY to Rs. 1.70 Cr. for FY23 (FY22: Rs. 2.31 Cr.; FY21: Rs. 2.65 Cr.). For Q1FY24, the company reported losses of Rs. -12.81 Cr. (prov.) These losses have continued in 9MFY24 with a PBT of Rs. 65.77 Cr. (prov.) The RoAA (on-balance sheet assets) stood subdued at 0.60 percent for FY23 (FY22: 0.73 percent; FY21: 1.43 percent). The profitability in the current year stood impacted due to lower interest income coupled with sizable credit costs incurred. Due to internal ECL revamp, incremental provisioning requirement for slippages and write-offs for 450+dpd loans, AFL's credit costs rose to Rs. 71.03 Cr. (prov.) for 9MFY24 from Rs. 46.36 Cr. for FY23. Going forward, any incremental increase in slippages will require additional provisioning, ultimately affecting the profitability of the company.

Acuité believes, the ability of the company to 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
- Movement in AUM and disbursements
- Slippages in the book
- Movement in gearing levels
- Movement in asset quality and collection efficiency
- Movement in profitability metrics

Liquidity Position

Adequate

AFL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated December 31, 2023. The company's liquidity position is supported by cash and bank balance including Fixed Deposits of Rs. 248 Cr. as on December 31, 2023. Future liquidity position will hinge upon the company's ability to raise resources while continuing to achieve optimal portfolio collections.

Outlook: Stable

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 owing to recent capital infusion. The outlook may be revised to 'Positive' in case of significant and sustainable growth in AUM while improving asset quality and 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 challenges in scaling up the portfolio.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

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

*Total assets exclude deferred tax assets

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

***Tangible networth and gearing adjusted for goodwill of Rs. 103.57 Cr (arising out of acquisition). in FY23

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

Not applicable

Any other information

None

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, 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
07 Nov 2023	Non Convertible Debentures	Long Term	25.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.50	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Non Convertible Debentures	Long Term	37.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Term Loan	Long Term	1.09	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	3.79	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	12.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Non Convertible Debentures	Long Term	21.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	7.29	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	20.00	ACUITE BBB Stable (Assigned)
	Non Convertible Debentures	Long Term	10.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	23.33	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Non Convertible Debentures	Long Term	17.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Non Convertible Debentures	Long Term	30.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Non Convertible Debentures	Long Term	20.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
28 Jun 2023	Proposed Non Convertible Debentures	Long Term	5.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	9.52	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Proposed Term Loan	Long Term	6.59	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	7.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	16.89	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	17.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	21.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	37.00	ACUITE BBB+ Stable (Reaffirmed)
28 Jun 2022	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)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
20 Dec 2021	Non Convertible Debentures	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	50.00	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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE411R07103	Non-Convertible Debentures (NCD)	12 Nov 2021	13.45	25 Oct 2024	25.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07111	Non-Convertible Debentures (NCD)	21 Dec 2021	13.30	20 Dec 2024	17.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07129	Non-Convertible Debentures (NCD)	23 Dec 2021	12.30	23 Dec 2024	37.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07137	Non-Convertible Debentures (NCD)	31 Mar 2022	12.75	07 Mar 2025	21.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07152	Non-Convertible Debentures (NCD)	01 Jul 2022	12.90	30 Jun 2025	30.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07194	Non-Convertible Debentures (NCD)	29 Mar 2023	12.50	29 Mar 2026	20.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	INE411R07186	Non-Convertible Debentures (NCD)	26 Sep 2022	13.25	31 Jul 2025	10.00	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.	20.00	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.	5.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.09	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	17 Oct 2026	7.29	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2024	3.79	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)

State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Mar 2027	23.33	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	29 Oct 2021	Not avl. / Not appl.	03 Nov 2023	2.50	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
State Bank of India	Not avl. / Not appl.	Term Loan	29 Mar 2022	Not avl. / Not appl.	29 Jan 2026	12.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)

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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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