

Ashv Finance Limited

February 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	200.00	CARE BBB-; Negative	Revised from CARE BBB; Stable
Non Convertible Debentures	8.00 (Reduced from 30.00)	CARE BBB-; Negative	Revised from CARE BBB; Stable
Non Convertible Debentures	50.00	CARE BBB-; Negative	Revised from CARE BBB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the debt instruments/bank facilities of Ashv Finance Limited (AFL) takes into consideration deterioration in the financial profile of the entity with the company reporting losses of Rs. 65.77 in 9MFY24. AFL has also reported increase in the GNPA of 8.90% as on Dec 31, 2023 (from 3.48% as on March 31, 2023). The company continues with its strategy to de-risk the lending portfolio with focus on lower ticket-size loans (avg. ticket size of Rs. 10 lakhs in FY23 from Rs.1 crore in FY19). The rating continues to factor in the demonstrated support from the company's promoter; Aavishkaar group by way of capital infusion leading to strong capitalization levels and investment by strong foreign institutional investors. The company has raised Rs. 91.30 crore in December 2023 from ESF Holding II and Teachers Insurance and Annuity Association of America.

The rating also continues to factor in its exposure unsecured lending segment, relatively modest scale of operations, decline in profitability, deterioration in asset quality and limited track record of the company, lack of product diversification as well as geographical concentration. AFL's asset quality and profitability while scaling up the business will be the key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the scale of operations on a sustained basis while capitalisation remaining comfortable
- Robust profitability with ROTA above 1% on a sustained basis.
- Significant diversification in resource profile.
- Improvement in asset quality parameters.

Negative factors

- Delay in expected equity infusion beyond Q4 FY24.
- Net NPA remaining above 5% on a sustained basis.

Analytical approach: Standalone

CARE has analysed standalone credit profile of Ashv Finance Ltd.

Outlook: Negative

The outlook is revised to 'Negative' from 'Stable' given the likelihood of continuing asset quality pressure and its potential impact on profitability and the scale of operations given that the company caters to unsecured business loans. The outlook may be revised to 'Stable' if the asset quality and profitability parameters show improvement from the present levels.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Demonstrated support from promoter group and investment by strong institutional investors.

AFL is a part of the Aavishkaar Group which is focused on developing impact ecosystems in Asia and Africa. On December 31, 2023, Aavishkaar Group held 51.6 (on fully diluted basis) stake in AFL. The promoter group had cumulatively invested Rs.150 crores in FY19 and FY20. Recently, in December 2023, the Company has raised equity of Rs. 91.30 crore of which Rs. 74.70 crore was raised from ESF Holdings II and Rs. 16.60 crore from Teachers Insurance and Annuity Association of America. Further, the company is expecting additional Rs. 36 Crore of capital infusion in Q4 FY24 which will help the company in keeping gearing below 3 times while supporting the liquidity profile. The company is also backed by foreign institutional investors like Omdiyar Network (ON), Mauritius, a philanthropic investment firm holds 10.47% (on fully diluted basis) stake, Triodos Investment Management, a wholly owned subsidiary of Triodos Bank, holds 8.16%(on fully diluted basis) ,Developing World Markets (International) Mauritius Limited holds 6.55% (on fully diluted basis)), ESF Holdings II 13.79% (on fully diluted basis) and Teachers Insurance and Annuity Association of America 3.07% (on fully diluted) stake in AFL as on December 31, 2023.

Experienced management team

The Board of Directors of AFL is headed by Mr. Vineet Rai. Mr. Rai is the founder and Chairman of Aavishkaar Group and has over 18 years of experience in early stage investing, small business incubation and microfinance. Mr. Nikesh Sinha was appointed as the Managing Director & Chief Executive Officer (MD & CEO) in October 2018. Prior to joining AFL, he was heading the medium enterprises group in the SME vertical at Axis Bank. The company also appointed Ms. Kiran Agarwal Todi as the Chief Financial Officer (CFO) in January, 2019. Mrs. Todi has over 18 years of experience and was CFO of Home First Finance Company India Limited prior to joining AFL. AFL has added Mr R K Mathur erstwhile LG of Ladakh, former CIC, Defense Secretary, Secretary Defense Industrial Production & MSME Secretary to its Board as an Independent Director in February 24 to strengthen its Board level governance. He replaces Ms Matangi Gowrishankar who relinquished her Board seat in January 24 to join the Board of a Bank.

Comfortable capitalization & good capital raising ability.

AFL has maintained a comfortable capitalization level. During 9MFY24, the CRAR of the company stood at 33.13% (9MFY23: 20.38%) and Tier-1 capital stood at 30.36% (9MFY23: 19.56%). Gearing has improved from 3.73 times as on December 31, 2022 to 3.07 times as on December 31, 2023 because of the equity infusion done. The management also expects additional equity infusion of around Rs.36 crore in Q4FY24 to support its liquidity profile and maintain the gearing levels below 3 times.

Key weaknesses

Deteriorating financial performance

During 9MFY24, AUM of the company decreased from Rs. 1070.26 crore in FY23 to Rs. 888.21 crore in 9MFY24. There was a degrowth in disbursements and AUM led to decrease in income from Rs.152.56 crore in 9MFY23 to Rs.139.75 crore in 9MFY24. This was due to delay in Equity infusion. During the same period, cost of fund has also increased to 15.28% from 14.46% in FY23.

During 9MFY24, the company reported losses of Rs. 65.77 crore (Losses of Rs. 11.57 crore in 9MFY23) compared to profit of Rs. 6.07 crore in FY23. Credit Cost increased from Rs. 46.36 crore in FY23 to Rs. 71.03 crores in 9MFY24 which includes write-offs of Rs. 38.97 crore. Any further rise in slippages will require more provisioning in future, which will ultimately have an impact on the company's profitability. Given the continued deterioration in asset quality, profitability while scaling up the business remains a key monitorable.

Moderate funding profile

AFL has raised equity capital from the promoter group and also external investors, with 2 new investors added in December 2023. As on December 31, 2023, AFL had funding lines from 13 Banks and 24 NBFCs & Fis. Total borrowings as on December 31, 2023 stood at Rs 646.09 crore as against Rs. 812.89 crore as on December 31, 2022. The cost of funds for 9MFY24 has increased to 15.28% as against 12.12% in FY22 in-line with an increase in the cost of borrowing across industry. Further AFL has raised Rs. 341 crore in 9MFY24 through securitization and further plans to increase its borrowings through this route. Going forward, it is critical for the company to diversify its borrowing profile, as currently large part of its borrowing comes from NBFCs and AIFs.

Deterioration in Asset Quality

As on December 31, 2023, the Gross Stage – 3 assets of the company stood at 8.90% as against 3.28% in December 31 2022. Provision coverage for Gross Stage – 3 has reduced to 52.56% in 9MFY24 from 61.15% in FY23, however, the total provision coverage has increased to 7.07% in 9MFY24 from 2.88% in FY23. Further, the company has written off Rs. 38.97 crore (4.39% of AUM) in 9MFY24 whereas in FY23 the company's write-offs were at Rs. 40 crore. The stressed assets (Gross Stage – 3 + restructured book) are at Rs 80.87crore (9.10% of the AUM portfolio), while including write-offs, the stressed assets were at 12.72% as on December 31, 2023. The incremental slippages pertain to legacy books as well as from new book. The company has reported credit cost of 8% for 9MFY24 including write-offs. Given that the company caters to unsecured business loans and the deterioration in 9MFY24, asset quality remains a key monitorable.

Modest size of operations

As of December 31, 2023, the company reported modest AUM of Rs. 888.21 Crore. After the induction of new Senior management in FY19, there has been a change in the strategy of the company from venture debt financing at higher ticket size to primarily unsecured MSME lending in low ticket size. The company is also scaling up its branches and sales network. The company has expanded its reach from 3 branch in FY19 to 36 branches in 9MFY24. Expansion in branches, staff strength and sales network is expected to support the growth going forward. AFL has presence in 19 states but currently are concentrated in top 3 states (Maharashtra, Gujrat and Telangana) contributing 49% of the AUM. In 9MFY24, the company de-grew their AUM by 17% to Rs. 888.21 crore from Rs. 1,070.26crore in FY23 on account of lower disbursements of Rs. 263.30 crore in 9MFY24. As per the Management, this was intentional on account of delay in Equity infusion.

Liquidity: Adequate

The ALM of the company as on December 31, 2023, showed no negative cumulative mismatches in any of the buckets up to 5 years. As on December 31, 2023, the company reported unencumbered cash and bank balance along with liquid investments of Rs.180.36 crore as against debt obligation of Rs.105.87 crore for the next 3 months.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

[Withdrawn](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Ashv Finance Ltd (AFL) is an NBFC incorporated in February 1998. 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". It is engaged in funding the MSME sector through various products both secured and unsecured financing within focus sectors of financial services, clean energy, water & sanitation, agriculture & rural business, healthcare, education & vocational training. The company is promoted by the Aavishkaar group 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. Ashv Finance started its lending operations in 2013 with venture-debt financing. In mid FY19, the revamping of the business model was done from venture debt financing to small ticket size business loan.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total income	128.52	220.85	139.75
PAT	5.47	6.07	-65.77
Interest coverage (times)	1.04	1.02	0.19
Total Assets	905.73	1,145.09	1,055.76
Net NPA (%)	2.04	2.58	4.92
ROTA (%)	0.72	0.59	-7.97%

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	INE411R07178	30-Aug-22	13.15%	30-Sep-2024	7.20	CARE BBB-; Negative
Debentures-Non-Convertible Debentures	INE411R07145	27-May-22	12.25%	27-Nov-2028	15.00	CARE BBB-; Negative
Debentures-Non-Convertible Debentures	INE411R07160	05-Jul-22	13.00%	05-Jul-2023	-	Withdrawn
Debentures-Non-Convertible Debentures	INE411R07095	13-Aug-21	13.65%	13-Sep-2023	-	Withdrawn
Debentures-Non-Convertible Debentures (Proposed)	-	-	-	-	35.80	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-	-	-	200.00	CARE BBB-; Negative

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	8.00	CARE BBB-; Negative	1)CARE BBB; Stable (06-Jul-23)	1)CARE BBB; Stable (31-Jan-23) 2)CARE BBB; Stable (24-Jun-22)	1)CARE BBB; Stable (28-Jun-21)	1)CARE BBB-; Positive (29-Jun-20)
2	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB-; Negative	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB-; Positive

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
					(06-Jul-23)	(31-Jan-23) 2)CARE BBB; Stable (24-Jun-22)	(28-Jun-21)	(29-Jun-20)
3	Fund-based - LT-Term Loan	LT	200.00	CARE BBB-; Negative	1)CARE BBB; Stable (06-Jul-23)	1)CARE BBB; Stable (31-Jan-23) 2)CARE BBB; Stable (24-Jun-22)	1)CARE BBB; Stable (28-Jun-21)	1)CARE BBB-; Positive (29-Jun-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
Fincare Small Finance Bank	Company must maintain the following at all times during currency of loan. GNPA<=6% CRAR>=20% Leverage (Debt/Equity) <=4
IDFC First Bank	Asset Quality: NNPA to be maintained <3% CRAR to be maintained >20%
Kotak Mahindra Bank Ltd	TOL/TNW should not be >4.50 times during the currency of KMBL loan (TL-1). If it exceeds 4.50 times, then borrower to bring in cash margin of 5% of term loan limits. Gross Stage 3 assets should not exceed 5% of the total loan book during the currency of KMBL loan (TL-1).
Suryoday Small Finance Bank	Total Debt/Equity<=3.5X CRAR>=20% GNPA<=5%

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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