

India Ratings Assigns Ashv Finance's PPMLDs 'IND PP-MLD BBB emr'/Stable; Affirms Existing Ratings

25

JUN 2021

By Karan Gupta

India Ratings and Research (Ind-Ra) has taken the following rating actions on Ashv Finance Limited:

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Proposed principal protected market-linked debenture (PP-MLD)^*	-	-	-	-	INR200	IND PP-MLD BBB emr/Stable	Assigned
Principal protected market-linked debenture (PP-MLD)^	INE411R07079	23 June 2021	-	14 October 2022	INR250	IND PP-MLD BBB emr/Stable	Affirmed
Bank loans	-	-	-	-	INR500	IND BBB/Stable	Affirmed

*yet to be issued

^The suffix emr denotes the exclusion of the embedded market risk from the rating. The rating of the market-linked debentures is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that coupon payment on the instrument will be based on the performance of a reference index or equity share (detailed in the information memorandum of the issue). PP-MLD refers to full principal protection in the equity-linked notes wherein the issuer is obligated to pay the full principal upon maturity.

The ratings factor in AFL's moderation in customer concentration risk through a shift in strategy towards building a granular loan book; increased capital base through the equity infusion in FY20; small-yet-improving scale of operations along with geographic expansion; moderate leverage; adequate liquidity and capital buffers. The rating also reflects the

experience of the management team, and the established promoter group providing strategic oversight and support, as and when required.

The ratings, however, are constrained by the company's largely unseasoned loan book, the inherent risks associated with unsecured micro, small and medium-sized enterprises lending, limited track record, low profitability and high credit costs. AFL's ability to maintain its asset quality and adequate capital buffers while expanding the franchise would be a key monitorable.

KEY RATING DRIVERS

For the detailed rationale click [here](#).

RATING SENSITIVITIES

Positive: A demonstrated ability to profitably expand the franchise with substantial and sustainable asset quality, diversification of the funding profile and geographical presence, and maintaining of adequate liquidity and capital buffers could lead to a rating upgrade.

Negative: Weakened operating performance, leading to dilution in the profitability buffers (pre-provision operating profit/credit cost) on an ongoing basis below 1.4x or a sustained dilution of liquidity buffers in comparison to the management's plans or the leverage exceeding 3.0x, on a sustained basis, could lead to a rating downgrade.

COMPANY PROFILE

AFL is a non-bank financial company registered with the Reserve Bank of India. It started its operations in 2012 as a venture debt financier and now provides small ticket size loans to the micro, small and medium-sized enterprises. It operates through a network of 23 branches spread across 11 states and union territories as of FY21.

FINANCIAL SUMMARY

Particulars	FY21 (Provisional)	FY20
Total assets (INR million)	6,009	5,139
Total tangible equity (INR million)	2,394	2,367
Net income (INR million)	79.6	37.7
Return on average assets (%)	1.43	0.84
Tier-I capital adequacy ratio (%)	43.2	60.02
Equity/assets (%)	39.8	46.1
Source: AFL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	18 June 2021	23 March 2021
Bank loans	Long-term	INR500	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable
PP-MLD	Long-term	INR450	IND PP-MLD BBB emr/Stable	IND PP-MLD BBB emr/Stable	-

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Level
Bank loans	Low
PP-MLD	High

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

[Financial Institutions Rating Criteria](#)
[Non-Bank Finance Companies Criteria](#)

Analyst Names

Primary Analyst

Karan Gupta

Director

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block.

Bandra Kurla Complex Bandra (East), Mumbai 400051

+91 22 40001744

Secondary Analyst

Leena Gupta

Analyst

+91 22 40001700

Committee Chairperson

Prakash Agarwal

Director and Head Financial Institutions

+91 22 40001753

Media Relation

Ankur Dahiya

Manager – Corporate Communication

+91 22 40356121
