ICRA

ICRA Limited

Ref No: ICRA/Akara Capital Advisors Private Limited/07082023/2

Date: August 07, 2023

Ms. Shruti Aggarwal
Director
Akara Capital Advisors Private Limited
CRC-2, 1st Floor, Khasra 337,
Mehrauli-Gurgaon Rd, Sultanpur
New Delhi, Delhi 110030

Dear Ma'am,

Re: ICRA rating for Rs. 670 crore (Outstanding: Rs. 231.32 crore; yet to be placed: Rs. 346.50 crore) Non-Convertible Debenture Programme of Akara Capital Advisors Private Limited (instrument details in *Annexure*)

In terms of the Rating Agreement/Statement of Work executed between you company and ICRA Limited (ICRA), ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has reaffirmed the rating assigned earlier to the aforementioned instrument at **[ICRA]BBB (pronounced ICRA triple B).** Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. For this rating category the modifiers + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned. The outlook on this rating is "**Stable"**.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as **"[ICRA]BBB (Stable)**".

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/ or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instruments issued by you.

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You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

For ICRA Limited

KARTHIK SRINIVASAN

Digitally signed by KARTHIK SRINIVASAN
Date: 2023.08.07 12:28:12 +05'30'

Karthik Srinivasan
Senior Vice President
karthiks@icraindia.com

Encl:- Annexure I: Instrument Details

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ANNEXURE I: Instrument Details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current rating and Outlook
INE08XP07027	NCD	16-Mar-2022	14.55%	15-Mar-2024	20.00	20.00	[ICRA]BBB (Stable)
INE08XP07019	NCD	31-Mar-2022	13.17%	03-Jul-2023	40.00	2.67	[ICRA]BBB (Stable)
INE08XP07035	NCD	14-Oct-2022	13.05%	14-Apr-2024	27.00	18.00	[ICRA]BBB (Stable)
INE08XP07043	NCD	01-Nov-2022	11.04%	08-Nov-2023	30.00	14.40	[ICRA]BBB (Stable)
INE08XP07076	NCD	26-Dec-2022	12.55%	26-Mar-2024	69.00	51.75	[ICRA]BBB (Stable)
INE08XP07050	NCD	28-Dec-2022	11.75%	28-Jun-2024	30.00	20.00	[ICRA]BBB (Stable)
INE08XP07084	NCD	25-Jan-2023	11.04%	25-Apr-2024	18.00	15.00	[ICRA]BBB (Stable)
INE08XP07118	NCD	04-May-2023	11.05%	11-May-2024	49.50	49.50	[ICRA]BBB (Stable)
INE08XP07126	NCD	15-May-2023	12.00%	30-Jun-2024	10.00	10.00	[ICRA]BBB (Stable)
INE08XP07142	NCD	23-Jun-2023	11.50%	31-Oct-2024	30.00	30.00	[ICRA]BBB (Stable)
Yet to be placed	NCD	NA	NA	NA	346.50	-	[ICRA]BBB (Stable)

August 10, 2023

Akara Capital Advisors Private Limited: Ratings reaffirmed; rating reaffirmed and withdrawn for market linked debentures

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	670.00	670.00	[ICRA]BBB (Stable); reaffirmed
Market linked debentures	30.00	-	PP-MLD[ICRA]BBB (Stable); Reaffirmed and withdrawn
Long-term fund based – Term loan	125.00	125.00	[ICRA]BBB (Stable); reaffirmed
Long-term fund-based term loan	15.00	15.00	[ICRA]BBB+(CE) (Stable); reaffirmed
Commercial paper	80.00	80.00	[ICRA]A3+; reaffirmed
Total	**920.00**	**890.00**	

**Instrument details are provided in Annexure I*

Rating without explicit credit enhancement	[ICRA]BBB

Note: The (CE) suffix mentioned alongside the (provisional) rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The above table also captures ICRA's opinion on (a) the rating if the pending actions/documents are not completed, and (b) the rating without factoring in the proposed explicit credit enhancement

Rationale

For the [ICRA]BBB (Stable) rating

To arrive at Akara Capital Advisors Private Limited's (ACAPL) ratings, ICRA has taken a consolidated view of the credit profiles of ACAPL and its Group company, EQX Analytics Private Limited (EQXAPL), owing to their business linkages, common management and shared infrastructure. ACAPL provides unsecured personal loans of up to Rs. 5 lakh to salaried individuals through the Group's technology platform and has a pan-India presence. The Group's in-house technology platform, known as StashFin, is a part of EQXAPL and is currently used by ACAPL and its co-lending partners. ACAPL and EQXAPL are wholly-owned subsidiaries of Morus Technologies Pte. Ltd (MTPL), the Singapore-based holding company, which is backed by foreign investors like Tencent Group, Fasanara Capital, Uncorrelated Ventures, etc.

The ratings factor in ACAPL's adequate capitalisation profile with a consolidated net worth of Rs. 424.9 crore (standalone net worth of Rs. 411.4 crore) and a gearing of 2.4x as on March 31, 2023 (Rs. 277.6 crore and 1.3x, respectively, as on March 31, 2022). The gearing, adjusted for the first loss default guarantee (FLDG) commitments, stood at 2.5x as on March 31, 2023. The improvement in the capitalisation was driven by the capital raise of about Rs. 105 crore in FY2023. This helped the company improve its scale of operations further with its assets under management (AUM) increasing to Rs. 1,465 crore as on March 31, 2023 (Rs. 559 crore as on March 31, 2022).

The ratings also factor in the improved visibility on capital support for ACAPL from the parent, MTPL, following the conversion of debt (preference shares/compulsory convertible debentures/optionally convertible debentures) amounting to ~Rs. 409 crore into equity in Q2 FY2023. With ACAPL and EQX being the sole investments of MTPL, ICRA believes that this equity will be fully available to ACAPL as growth capital. ICRA also notes the improvement in the funding profile with the company raising external commercial borrowings (ECBs) from investors at relatively competitive rates and diversifying the domestic lender base. ACAPL has additional committed ECB lines, which would support the business growth, going forward. Notwithstanding this, given the high growth plans, the company would need to continuously expand the lender base, going forward as well. The ratings also consider ACAPL's diversified retail portfolio, comprising small-ticket loans to individuals.

The ratings are, however, constrained by the modest profitability indicators on a consolidated basis due to the high operating and credit costs. From December 2022, ACAPL has stopped giving higher FLDGs (which it used to offer earlier), in compliance with the digital lending norms of the Reserve Bank of India (RBI). Further, the FLDG is expected to be lower, post the new guidelines of June 2023 (which permit a maximum FLDG of 5%). Hence, the credit cost is expected to moderate going forward. At the same time, operating expenses (11.8%, on a consolidated basis, in relation to average assets in FY2023) moderated with the improvement in scale, though the same remained high. Additionally, the net interest margin (NIM) moderated due to the change in the accounting practice. Overall, the Group reported a net profit on a consolidated basis for the first time since inception in FY2023 (profit after tax (PAT) of Rs. 27.0 crore). ICRA expects the profitability to improve, going forward, supported by some improvement in the NIM, controlled credit costs and higher operating efficiency with economies of scale.

The ratings also factor in the inherent vulnerability associated with the Group's portfolio, given the unsecured nature of the loans. Nevertheless, the asset quality indicators have remained range-bound so far with 90+ days past due (dpd) of 3.0% as on March 31, 2023, and the overall 90+ dpd in relation to cumulative disbursements (since FY2020) at 1.0% as on March 31, 2023. Further, the regulatory landscape for fintech lenders is currently evolving; thus, the impact of regulations on the company's business operations would be a monitorable. Overall, ACAPL's ability to profitably scale up the business while maintaining prudent capitalisation and controlling the asset quality would be a key monitorable.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 30.00-crore market linked debentures (MLDs) at the request of the company and as there is no amount outstanding against the rated instrument, in accordance with ICRA's policy on the withdrawal of credit ratings (click here for the policy).

For the [ICRA]BBB+(CE) (Stable) rating

ICRA has reaffirmed the rating for ACAPL's Rs. 15-crore bank line programme as tabulated above. The rating is based on the strength of an unconditional and irrevocable guarantee provided by Northern Arc Capital Limited (NACL; rated [ICRA]AA- (Stable)/[ICRA]A1+).

Adequacy of credit enhancement

ICRA has assessed the attributes of the partial guarantee issued by NACL in favour of the said instrument. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire tenor of the rated facility, and has a well-defined invocation and payment mechanism, it does not cover the entire rated amount. The guarantee is 29.00% of the initial loan amount, guaranteeing the repayment of the principal and the payment of the interest amount in relation to the facility for six months. NACL has waived off all the suretyship rights available under the law. However, the credit enhancement provided in the guarantee shall cease to be available to the lender if any modification is done to the terms of the facility, without NACL's prior approval, and the same adversely impacts NACL's obligations.

Taking cognisance of the above credit enhancement, ICRA had assigned a rating of [ICRA]BBB+(CE) (Stable) to the said facility against the unsupported rating of [ICRA]BBB (and in relation to the guarantor's rating of [ICRA]AA- (Stable)/[ICRA]A1+). Any change in the ratings of the guarantor or in the unsupported rating of ACAPL would have a bearing on the rating of the aforesaid facility as well.

Salient covenants of the rated facility

- The tenure of the facility is 24 months with equated monthly interest and principal repayment.
- The guarantee amount shall remain stable in absolute terms till it is reset. It can be reduced subject to the confirmation/affirmation of the rating agency.
- In addition to the partial guarantee, the borrower will maintain a pool of loan receivables, which would be at least 1.10x the outstanding amount of the facility. If ACAPL's senior secured long-term rating is downgraded below BBB or the rating of the facility is downgraded below BBB (CE) or any financial covenant is breached and the same is not cured within 90 days of the financial quarter in which the breach happened, then ACAPL shall make weekly repayments and shall transfer the collections from the pool to the Collection and Payment Account on a weekly basis.

- The security cover shall be met only with pool receivables that do not have any principal, interest, additional interest, fee or any other expected payments overdue. For this purpose, ACAPL shall, with the consent of the lender, replace any pool receivables that have one or more instalments of principal, interest, additional interest, fee or any other expected payments overdue for more than 90 (ninety) days with performing loans that meet the eligibility criteria. Such replacement shall be done on or before the 15th of any calendar month.
- ACAPL shall report/file such list of pool contracts with the concerned Registrar of Companies (ROC) and the Central Registry of Securitisation Asset Reconstruction and Security Interest of India in relation thereto as soon as practicable and no later than 30 (thirty) days.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile for current scale of operations; committed capital support from parent – ACAPL's capitalisation profile is adequate for the current scale of operations with a consolidated net worth of Rs. 424.9 crore (standalone net worth of Rs. 411.4 crore), a gearing of 2.4x and a capital-to-risk weighted assets ratio (CRAR) of 33.9% as on March 31, 2023, supported by regular capital raises from the parent. Most recently, the company raised about Rs. 105 crore in FY2023 from its parent. Further, there is improved visibility on subsequent capital support from the parent following the conversion of debt (preference shares/compulsory convertible debentures/optionally convertible debentures) amounting to ~Rs. 409 crore into equity in Q2 FY2023. With ACAPL and EQX being the sole investments of MTPL, ICRA believes that this equity will be fully available to ACAPL as growth capital. ICRA notes that the capital would be infused in tranches for efficient capital management.

Given the growth plans, the leverage is expected to increase from the current levels and ACAPL would need equity infusions from its parent over the medium term to maintain prudent capitalisation levels (on-book gearing of less than 3x). In this regard, ACAPL's parent, MTPL, had a net worth of about Rs. 720 crore with free cash of about Rs. 220 crore as on March 31, 2023, which can be infused as equity in ACAPL as and when required. Also, prudent capitalisation is one of the key mitigants against delinquencies and other credit risks associated with the Group's business. In addition to capital support, the company has sanctioned limits from investors in the form of ECBs, which would support the business growth going forward as well.

Diversified portfolio; demonstrated ability to grow the business – ACAPL's portfolio is diversified, comprising small-ticket loans to individuals with a ticket size in the range of Rs. 1,000 – Rs. 5 lakh. About 14% of the AUM consisted of very small-ticket loans of less than Rs. 10,000 while the balance comprised loans of up to Rs. 5 lakh as on March 31, 2023. The short tenure of the loans (1-36 months) also supports the company's liquidity profile.

For the [ICRA]BBB+(CE) (Stable) rating

Presence of partial guarantee for credit-enhanced term loan of Rs. 15 crore – The Rs. 15-crore term loan is credit enhanced by an unconditional, irrevocable and payable on demand guarantee from NACL (partial credit guarantee (PCG) provider), amounting to 29.00% of the initial loan amount, guaranteeing the repayment of the principal and the payment of interest amounts in relation to the facility.

Credit challenges

Modest, albeit, increasing scale of operations; ability to raise funds in a timely manner critical for growth – ACAPL's AUM grew at a high rate of 162% to Rs. 1,465 crore as on March 31, 2023 from Rs. 559 crore as on March 31, 2022, albeit on a small base. The high growth was supported by disbursements of Rs. 2,860 crore in FY2023 compared to Rs. 1,201 crore in FY2022. Though the company has a pan-India presence in terms of its borrowers, the scale of operations remains limited. This is also partly due to the short tenure of the loans and hence faster amortisation. ICRA believes that achieving economies of scale would remain pivotal for the Group to attain net profitability on a sustainable basis. Therefore, its ability to raise further funds

(both debt and equity) in a timely manner will be critical for growth. ICRA notes that ACAPL has sanctioned ECB lines from its investors of ~Rs. 600 crore, of which Rs. 242 crore has already been disbursed in addition to free cash of about Rs. 220 crore at MTPL as on March 31, 2023, which is expected to be infused as equity when required.

Limited, but improving, financial flexibility – ACAPL's financial flexibility remains limited with significant dependency on larger non-banking financial companies (NBFCs) for its funding needs. The average cost of funds remained high at 11.5% as on March 31, 2023 with the average tenure of borrowing at ~21 months. In this regard, the sanctioned ECB lines from its investors of ~Rs. 600 crore, of which Rs. 242 crore has already been disbursed, provide comfort. The infusion of ECB lines in the borrowing mix is also expected to moderate the cost of borrowing to some extent, going forward, thereby improving the NIM. ICRA also notes the recent improvement in the domestic borrowing mix with the company adding lenders from the banking as well as non-banking sector. As on March 31, 2023, the overall borrowing mix consisted of loans from NBFCs/ banks (42%), NCDs (33%) and ECBs (25%).

Modest profitability on consolidated basis; operating efficiency expected to improve with scale – Though ACAPL reported modest profitability over the last few fiscals (average return on assets (RoA) of 1.2% during FY2019-9M FY2023) on a standalone basis, the same remained muted on a consolidated basis with the Group reporting losses since inception due to the high operating and credit costs. However, with the higher scale of operations, the company reported a net profit on a consolidated basis in FY2023 for the first time since inception.

Although the NIM moderated to 26.4% in FY2023, on a consolidated basis (audited financials), from 30.3% in FY2022 on account of the change in the accounting practices post November 2022, it remained high. Despite remaining elevated due to the Group being in the expansion phase and investing in strengthening its teams and technology platforms, operating expenses (11.8% in relation to average assets in FY2023 on a consolidated basis) declined from 17.3% in FY2022 on account of the improvement in the scale. From December 2022, ACAPL has stopped giving higher FLDGs (which it used to offer earlier), in compliance with the digital lending norms of the Reserve Bank of India (RBI). The credit costs look optically lower at 11.0% of the average total assets (ATA) in FY2023 vis-à-vis 15.2% in FY2022 because of the change in the accounting practices post November 2022. Overall, ACAPL reported a net profit on a consolidated basis for the first time since inception in FY2023 with RoA and return on equity (RoE) of 2.4% and 7.7%, respectively. ICRA expects the profitability to improve, going forward, supported by higher NIM and better operating efficiency with economies of scale, provided the company can maintain strict control over fresh slippages.

Moderate asset quality indicators, though ability to maintain the same through economic cycles remains to be seen – ACAPL started operations in 2017 and witnessed a compound annual growth rate (CAGR) of ~91% in the last four years. With an average loan tenure of 14-15 months and a large portion of the loans being originated in H2 FY2022 and FY2023 (disbursement of Rs. 845 crore in H2 FY2022 and Rs. 2,860 crore in FY2023), portfolio seasoning remains low and the asset quality indicators are yet to be tested across economic cycles. The inherent riskiness in ACAPL's portfolio also remains high due to the unsecured nature of the loans.

The company's gross non-performing advances (GNPAs; recognised on 90+ dpd basis) stood at 3.0% of the overall AUM (on a consolidated basis) as on March 31, 2023. On a standalone basis, ACAPL reported GNPAs of Rs. 43 crore as on March 31, 2023. GNPAs, including write-offs/FLDG expenses, remained high on a consolidated basis at 12.3% of the overall AUM as on March 31, 2023 (14.0% as on March 31, 2022). The 90+ dpd stood at 1.0%, basis cumulative disbursements (since FY2020), as on March 31, 2023 while the overall credit costs, in relation to cumulative disbursements, stood at 2.7% (since FY2020). ICRA notes that ACAPL has developed an adequate risk management system to detect fraud and its ability to control slippages, manage fraud risk and maintain good credit underwriting standards would be a key rating monitorable, going forward.

Liquidity position: Adequate

For the [ICRA]BBB (Stable) rating

ACAPL's liquidity position is adequate with no negative cumulative mismatches in the asset-liability management (ALM) statement, as on March 31, 2023, owing to the short tenure of the loan book and sufficient on-balance sheet liquidity. The company's cash and bank balance stood at ~Rs. 303 crore as on March 31, 2023. Further, the expected inflow from advances

in the next 1 year stood at Rs. 884 crore, which is sufficient to cover the debt repayment of Rs. 599 crore during this period. Additionally, MTPL had free cash of about Rs. 220 crore as on March 31, 2023, which can infused as equity in ACAPL as and when required.

For the [ICRA]BBB+(CE) (Stable) rating

Adequate liquidity is available for the rated term loan in the form of a PCG from NACL and the security pool. The PCG as well as the collections from the security pool can be utilised for meeting the scheduled payouts, if required.

For support provider (NACL)

As of December 31, 2022, NACL had positive mismatches across all the buckets of the structural liquidity statement. The average tenor of the loan/investment portfolio is 1-2 years. On the other hand, NACL has secured a sizeable portion of its borrowings from longer-tenor loans (average tenor of ~3 years) while only 4% of the total borrowings is from short-term sources including commercial paper, cash credit and working capital demand loan as of December 2022. As of December 2022, term loans, working capital facilities from banks, non-convertible debentures (NCDs; including sub-debt), ECBs and commercial papers accounted for 59%, 3%, 21%, 16% and 1%, respectively, of the total borrowings. NACL had cash and liquid investments of Rs. 430.0 crore and undrawn bank lines of Rs. 926.2 crore as on March 20, 2023, with a payment obligation of Rs. 1,318.9 crore during March 21, 2023 to June 30, 2023. The monthly collection efficiency remained robust throughout 9M FY2023 at about 99-101%.

Rating sensitivities

For the [ICRA]BBB (Stable) rating

Positive factors – An increase in the scale of operations along with an improvement in the profitability indicators, while maintaining good asset quality and a prudent capitalisation structure on a sustained basis, could lead to a rating upgrade.

Negative factors – A decline in the scale of operations or a deterioration in the asset quality indicators, resulting in pressure on the profitability indicators, could lead to a rating downgrade.

For the [ICRA]BBB+(CE) (Stable) rating

The rating assigned to the Rs. 15-crore term loan programme would remain sensitive to any movement in the ratings or outlook of ACAPL and NACL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's rating methodology for non-banking finance companies ICRA's rating approach – Consolidation Rating methodology for partially guaranteed debt Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation; ICRA has considered the consolidated financials of ACAPL and its Group company, EQX Analytics Private Limited (EQXAPL), owing to their business linkages, common management and shared infrastructure.

About the company

ACAPL is a Delhi-based non-deposit taking NBFC registered with the Reserve Bank of India (RBI) since 2016. It started operations in 2017. The company primarily provides unsecured short-term personal loans to salaried individuals through web and mobile platforms. It was started by Mr. Tushar Aggarwal, Ms. Shruti Aggarwal and Mr. Parikshit Chitalkar, who have several years of experience in the financial services industry. ACAPL is currently owned by MTPL, a Singapore-based neobanking start-up backed by investors like Tencent Group, Fasanara Capital, Altara Ventures, Uncorrelated Ventures, etc.

ACAPL is a 100% subsidiary of MTPL (holding company incorporated in Singapore). The Group has another wholly-owned subsidiary, EQX Analytics Private Limited (EQXAPL), which houses the technology platform known as StashFin and sources leads. The technology platform is used by ACAPL and other co-lenders for lending to customers.

On a consolidated basis (ACAPL + EQXAPL; audited financials), the company reported a PAT of Rs. 27 crore in FY2023 on a total asset base of Rs. 1,539 crore as on March 31, 2023 compared to a net loss of Rs. 10 crore in FY2022 on a total asset base of Rs. 691 crore as on March 31, 2022. As on March 31, 2023, the consolidated net worth stood at Rs. 425 crore with a gearing of 2.4x. The company reported GNPAs and net NPAs (NNPAs) of 3.0% and 2.2%, respectively, as on March 31, 2023 compared to nil GNPAs as on March 31, 2022.

On a standalone basis (audited financials), ACAPL reported a PAT of Rs. 26 crore in FY2023 on a total asset base of Rs. 1,441 crore as on March 31, 2023 compared to a PAT of Rs. 6 crore in FY2022 on a total asset base of Rs. 634 crore as on March 31, 2022. As on March 31, 2023, the company's standalone net worth was Rs. 411 crore while the gearing was 2.4x. On a standalone basis, the company reported GNPAs and NNPAs of 4.0% and 3.0%, respectively, as on March 31, 2023 compared to nil GNPAs as on March 31, 2022.

Key financial indicators (consolidated)

ACAPL (consolidated)	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
	Audited	Audited	Audited
Total income	30	155	372
Profit after tax	-12	-10	27
Net worth	95	278	425
Gross loan book	121	562	1,153
Total assets	193	691	1,539
Return on assets	-6.6%	-2.3%	2.4%
Return on net worth	-13.8%	-5.5%	7.7%
Gross NPA	0.0%	0.0%	3.0%
Net NPA	0.0%	0.0%	2.2%
Gearing (times)	0.6	1.3	2.4
Solvency (net NPA/ net worth)	0.0%	0.0%	7.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Key financial indicators (standalone)

ACAPL (standalone)	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23
	Audited	Audited	Audited
Total income	20	48	216
Profit after tax	2	6	26
Net worth	77	281	411
Gross loan book	114	540	1,109
Total assets	132	634	1,441
Return on assets	1.5%	1.7%	2.5%
Return on net worth	3.2%	3.6%	7.5%
Gross NPA	0.0%	0.0%	4.0%
Net NPA	0.0%	0.0%	3.0%
Gearing (times)	0.6	1.2	2.4
Solvency (net NPA/ net worth)	0.0%	0.0%	8.0%
CRAR	55.1%	43.5%	33.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Northern Arc Capital Limited (support provider)

Northern Arc Capital is a systemically important NBFC. It acts as a platform in the financial services sector with the objective of catering to the diverse credit requirements of under-served households and businesses by providing access to debt finance. This is done either through direct lending and investments or by providing syndication and structuring services. The company

commenced its business by targeting microfinance institutions (MFIs) and has diversified into other sectors including micro, small, and medium enterprise (MSME) finance, vehicle finance (includes commercial vehicle and two-wheeler finance), consumer finance, affordable housing finance and agricultural supply chain finance. Further, over the years, NACL has steadily diversified across products, geographies, and borrower segments. Nimbus, NACL's proprietary technology system, forms the backbone of its growth as a platform and enables the scaling up of business operations with execution and functional efficiencies and data analytics.

As of March 2023, on a fully-diluted basis, IIFL Special Opportunities Fund was the largest shareholder with a stake of 25.6% in NACL, followed by Leapfrog Financial Inclusion India II Limited (22.6%), Augusta Investments II Pte Ltd (19.5%), Eight Roads Investments (Mauritius) (II) Limited (10.3%), Dvara Trust (7.5%), Accion (5.8%), SMBC (5.3%) and others (3.5%).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years							
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating in FY2024			Date & Rating in FY2023			Date & Rating in FY2022		Date & Rating in FY2021
					Aug 10, 2023	Jul 04, 2023	Apr 05, 2023	Dec 20, 2022	Oct 20, 2022	Oct 03, 2022	Mar 11, 2022	Dec 09, 2021	-
1	Non-convertible debentures	LT	370.00	231.32	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	-	-
2	Non-convertible debentures	LT	300.00	0.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	-	-	-	-	-
3	Market linked debentures	LT	30.00	-	PP-MLD [ICRA]BBB (Stable); withdrawn	PP-MLD [ICRA]BBB (Stable)	PP-MLD [ICRA]BBB (Stable)	PP-MLD [ICRA]BBB (Stable)	-	-	-	-	-
4	Long-term fund-based term loan	LT	125.00	44.17	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-
5	Long-term fund-based term loan	LT	15.00	13.31	[ICRA]BBB+ (CE) (Stable)	[ICRA]BBB+ (CE) (Stable)	Provisional [ICRA]BBB+ (CE) (Stable)	-	-	-	-	-	-
6	Commercial paper	ST	80.00	0.00	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	-	-

*LT – Long term, ST – Short term; * As on June 30, 2023*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based term loans	Simple
Non-convertible debentures	Simple
Market linked debentures	Moderately Complex
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details (as on June 30, 2023)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE08XP07027	**NCD**	Mar-16-2022	14.55%	Mar-15-2024	20.00	[ICRA]BBB (Stable)
INE08XP07019	**NCD**	Mar-31-2022	13.17%	Jul-03-2023	40.00	[ICRA]BBB (Stable)
INE08XP07035	**NCD**	Oct-14-2022	13.05%	Apr-14-2024	27.00	[ICRA]BBB (Stable)
INE08XP07043	**NCD**	Nov-01-2022	11.04%	Nov-08-2023	30.00	[ICRA]BBB (Stable)
INE08XP07076	**NCD**	Dec-26-2022	12.55%	Mar-26-2024	69.00	[ICRA]BBB (Stable)
INE08XP07050	**NCD**	Dec-28-2022	11.75%	Jun-28-2024	30.00	[ICRA]BBB (Stable)
INE08XP07084	**NCD**	Jan-25-2023	11.04%	Apr-25-2024	18.00	[ICRA]BBB (Stable)
INE08XP07118	**NCD**	May-04-2023	11.05%	May-11-2024	49.50	[ICRA]BBB (Stable)
INE08XP07126	**NCD**	May-15-2023	12.00%	Jun-30-2024	10.00	[ICRA]BBB (Stable)
INE08XP07142	**NCD**	Jun-23-2023	11.50%	Oct-31-2024	30.00	[ICRA]BBB (Stable)
Yet to be placed	**NCD**	NA	NA	NA	346.50	[ICRA]BBB (Stable)
Yet to be placed	**MLD**	NA	NA	NA	30.00	PP-MLD [ICRA]BBB (Stable); withdrawn
NA	**Term loan**	Dec-31-2022	13.00%	Jan-03-2024	11.67	[ICRA]BBB (Stable)
NA	**Term loan**	Mar-30-2023	9.50%	Dec-30-2023	22.50	[ICRA]BBB (Stable)
NA	**Term loan**	Jun-29-2023	9.50%	Jun-30-2025	10.00	[ICRA]BBB (Stable)
NA	**Long-term fund-based term loan ^**	NA	NA	NA	80.83	[ICRA]BBB (Stable)
NA	**Term loan**	Mar-30-2023	12.00%	Mar-30-2025	13.31	[ICRA]BBB+(CE) (Stable)
NA	**Long-term fund-based term loan ^**	NA	NA	NA	1.69	[ICRA]BBB+(CE) (Stable)
Yet to be placed	**Commercial paper**	NA	NA	NA	80.00	[ICRA]A3+

Source: Company, ICRA Research; ^ Yet to be placed/Proposed

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Akara Capital Advisors Private Limited	Rated entity	Full consolidation
EQX Analytics Private Limited	Group company with same parent	Full consolidation

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