

November 20, 2023<sup>(Revised)</sup>

## Bhanix Finance and Investment Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	50.0	50.0	[ICRA]A3+; reaffirmed
Long-term fund based	400.0	400.0	[ICRA]BBB (Stable); reaffirmed
Market linked debenture long term	100.0	100.0	PP-MLD[ICRA]BBB (Stable); reaffirmed
Non-convertible debentures	475.0	475.0	[ICRA]BBB (Stable); reaffirmed
<b>Total</b>	<b>1,025.0</b>	<b>1,025.0</b>	

\*Instrument details are provided in Annexure I

### Rationale

To arrive at the ratings, ICRA has taken a consolidated view of the credit profiles of Bhanix Finance and Investment Limited (BFIL) and its holding company, Aeries Financial Technologies Private Limited (AFTPL), given their business linkages, common management and operational synergies. BFIL provides short-term unsecured personal loans to salaried individuals through the technology platform, CASHe, with its competence reflected in the low turnaround time and the fully digitised process. Singapore-based TSLC Pte Ltd. (TSLC) holds a 51% stake in AFTPL and has licensed the CASHe mobile application to AFTPL for perpetual and exclusive use in India.

The ratings factor in BFIL's adequate capitalisation for the current scale of operations with a consolidated net worth of Rs. 370 crore and a managed gearing of 3.3 times as on September 30, 2023 (Rs. 300 crore and 3.4 times, respectively, as on March 31, 2023). Given its growth plans, the company plans a capital infusion in the near term. BFIL's profitability is supported by higher lending yields and net interest margins (NIMs), which remain adequate to cover the operating expenses and credit costs. The ratings also factor in BFIL's shorter-tenor loans, which support its liquidity profile.

The ratings are, however, constrained by the moderate scale of operations and the inherent riskiness in BFIL's portfolio due to the unsecured nature of the loans and the moderate borrower profile. Therefore, the asset quality is highly vulnerable to economic shocks or any other disruptions. Further, the company's track record is limited as the business was primarily scaled up over the last two and a half years. Moreover, the regulatory landscape for fintech lenders is currently evolving; thus, the impact of regulations on the company's business operations would be monitorable. BFIL's ability to contain its credit costs and maintain the overall profitability, while scaling up the loan book, remains the key rating monitorable.

### Key rating drivers and their description

#### Credit strengths

**Adequate capitalisation for current scale of operations** – BFIL's capitalisation profile is adequate for the current scale of operations with a standalone net worth of Rs. 322 crore and a managed gearing of 3.8 times as of September 30, 2023 (Rs. 370 crore and 3.3 times, respectively, for AFTPL on a consolidated basis). The managed gearing increased from 1.8 times as on March 31, 2022 with incremental business being funded out of fresh borrowings. During FY2018-FY2022, BFIL received equity of Rs. 260 crore from AFTPL. The last equity infusion of Rs. 142 crore in FY2022 was made in AFTPL by the promoters/promoter-owned entities. Further, it has reported a net profit (standalone and consolidated basis) over the last 4.5 years till H1 FY2024,

adding to its capital buffer. ICRA expects another round of equity infusion at BFIL through AFTPL in the near term to support the growing operations. Maintaining prudent capitalisation is one of the key mitigants against delinquencies and other credit risks associated with the business.

**Profitability supported by higher portfolio yields** – At the consolidated level, AFTPL has reported a net profit since FY2020. Notwithstanding the sharp increase in credit costs and high operating expenses, the overall profitability remains supported by the expanding scale of operations and the growing revenue streams from different subsidiaries. AFTPL's (consolidated basis) return on managed assets (RoMA) and return on net worth (RoNW) stood at 2.4% and 11.4%, respectively, in H1 FY2024 (2.2% and 9.0%, respectively, in FY2023) compared to 4.7% and 15.6%, respectively, in FY2022. The company's ability to scale up the business profitably while controlling its credit costs will remain a monitorable, going forward.

On a standalone basis, BFIL commands high yields (50.8% in FY2023) even after significant prepayments, given the target borrower segment and the inherent riskiness in the portfolio due to the unsecured nature of the loans. The weighted average cost of funds increased to 18.3% in FY2023 from 14.9% in FY2022 because of the rise in systemic interest rates. Consequently, NIMs remain in the range of 27-30%. However, yields, borrowing costs and NIMs appear to be volatile since inception on account of the level of annual loan disbursements, the rate of rundown in the assets under management (AUM) and the prepayment rate during this period. Operating expenses remained elevated at 14.2% in FY2023 (13.4% in FY2022) because of the scale-up in the operations, higher advertising and marketing costs and significant licence fees to AFTPL. Credit costs increased sharply to 16.4% in FY2023 from 9.2% in FY2022 because of the changes in accounting practices, reshuffling of collection agencies and the change in the write-off policy. The profitability weakened with RoMA and RoNW of 0.7% and 2.8%, respectively, in FY2023 compared to 3.0% and 9.8%, respectively, in FY2022. In H1 FY2024, the NIMs remained stable at 27.3%. While the operating expenses remained high at 13.4% in H1 FY2024, the credit costs moderated to 13.2% because of the improvement in the collection efficiency. The profitability remained modest with RoMA and RoNW of 0.8% and 4.0%, respectively, in H1 FY2024.

### Credit challenges

**Moderate scale and limited track record of operations** – Although BFIL started operations in 2017, the AUM has scaled up at a compound annual growth rate (CAGR) of 69% during FY2019-FY2023. The AUM (including off-book portfolio) grew by 68% in FY2023 to Rs. 1,203 crore as on March 31, 2023 from Rs. 715 crore as on March 31, 2022. The growth moderated to 28% in H1 FY2024 (annualised basis) with an AUM of Rs. 1,372 crore as on September 30, 2023 because of repayments and limited incremental growth in the on-book portfolio. As the loan tenor remains short, the portfolio experiences fast amortisation. Even after considering the loan disbursements, 74% of the total loan disbursements (Rs. 8,610 crore since inception) was made in the last 2.5 years. Thus, the company's track record of managing the portfolio through economic cycles and its ability to maintain the underwriting standards while growing are yet to be fully tested.

**Unsecured nature of loans and moderate borrower profile likely to keep asset quality volatile** – The inherent riskiness in BFIL's portfolio remains high due to the unsecured nature of the loans and the moderate borrower profile. BFIL's borrowers comprise the salaried individuals segment, a sizeable portion of which is new to credit or has a low credit score and is hence not serviced by banks. Although delinquencies have improved for the company over the past 3 years, with 30+ and 90+ days past due (dpd) of 12.5% and 5.7%, respectively, as on March 31, 2023 (15.5% and 9.7%, respectively, as on March 31, 2022) because of the shift towards longer-tenor products, they remain high.

BFIL reported gross non-performing advances (GNPAs) of 5.7% of the gross loan book as on September 30, 2023 (6.0% as on March 31, 2023) compared to 8.8% as on March 31, 2022. The credit cost, as a percentage of loan disbursements, increased to 6.3% in FY2023 from 3.9% in FY2022 because of the adoption of the expected credit loss (ECL) framework, NPA reporting as per the Reserve Bank of India's (RBI)'s new Income Recognition & Asset Classification (IRAC) norms, and the reshuffling of the collection agencies. Although credit cost, as a percentage of loan disbursements, moderated to 5.8% in H1 FY2024, it remains

high. Cumulative credit costs, as a percentage of cumulative disbursements till H1 FY2024, remained high at 4.7%. ICRA will continue to monitor the company’s ability to control its credit costs and remain profitable while scaling up the loan book amid intense competition.

### Liquidity position: Adequate

BFIL’s liquidity position is adequate with no negative cumulative mismatches in the asset-liability management (ALM) statement, as on September 30, 2023, owing to the short tenure of the loan book. As per the ALM profile as on September 30, 2023, BFIL has scheduled principal debt repayments of Rs. 719 crore for the 12-month period ending September 30, 2024 against which its scheduled principal inflows from advances are Rs. 695 crore. Additionally, it had an unencumbered cash and bank balance of Rs. 52 crore and unutilised sanctioned lines of Rs. 43 crore as on September 30, 2023.

BFIL’s borrowing is largely dominated by term loans from non-banking financial companies (NBFCs) with a share of 52% of the total borrowings as on September 30, 2023, though the same declined from 56% as on March 31, 2021. The share of term loans from banks stood at 13% while debentures accounted for 26% of the total borrowings as on September 30, 2023. Additionally, the company had borrowings in the form of cash/working capital demand loans (6%) and commercial paper (3%) as on September 30, 2023.

### Rating sensitivities

**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. Pressure on the company’s ratings could also arise if the managed gearing exceeds 4 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA’s Credit Rating Methodology for Non-banking Finance Companies</a> <a href="#">Financial Consolidation and Rating Approach</a>
Parent/Group support	-
Consolidation/Standalone	Consolidation; To arrive at the ratings, ICRA has taken a consolidated view of the credit profiles of BFIL and its holding company, AFTPL, given their business linkages, common management and operational synergies.

### About the company

Bhanix Finance and Investment Limited (BFIL) was incorporated in 1996 as a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). Aeries Financial Technologies Private Limited (AFTPL) acquired a 100% stake in BFIL in 2017. TSLC Pte Ltd. (TSLC), a Singapore-based company, had a 51% stake in AFTPL as on September 30, 2023 while other investors and promoter-owned entities held the balance. TSLC was founded in 2016 by Mr. V. Raman Kumar and Mr. Deepak Saluja to drive financial inclusion through credit-led artificial intelligence/machine learning platforms. It developed a digital lending platform called CASHe in 2017 and owns all the intellectual property and technology related to the same. TSLC has digital lending operations through different operating entities in India, Bangladesh and Dubai.

BFIL provides short-term unsecured personal loans to salaried individuals through CASHe. Its competence lies in the low turnaround time and the fully digitised loan process. BFIL focuses on new-to-credit borrowers and borrowers not getting loans from banks. TSLC has licensed the CASHe mobile application to AFTPL for perpetual and exclusive use in India. In turn, AFTPL has sublicensed the application to BFIL. The licence is irrevocable, exclusive, non-transferrable and perpetual in nature. As on

September 30, 2023, BFIL's AUM stood at about Rs. 1,372 crore with long-tenure products (more than 180 days) accounting for 64% while relatively shorter-tenure products (less than 180 days) accounted for the balance (36%).

On a standalone basis, BFIL reported a profit after tax (PAT) of Rs. 8 crore in FY2023 on a total managed asset base of Rs. 1,430 crore as on March 31, 2023 compared to a PAT of Rs. 20 crore in FY2022 on a total managed asset base of Rs. 903 crore as on March 31, 2022. The net worth stood at Rs. 292 crore with a managed gearing of 3.4 times as on March 31, 2023 compared to Rs. 284 crore and 1.8 times, respectively, as on March 31, 2022. The gross and net NPAs stood at 6.0% and 3.2%, respectively, as on March 31, 2023 compared to 8.8% and 2.3%, respectively, as on March 31, 2022. Based on provisional financials, the company reported a PAT of Rs. 6 crore in H1 FY2024 on total managed assets of Rs. 1,722 crore as on September 30, 2023. The net worth stood at Rs. 322 crore with a managed gearing of 3.8 times as on September 30, 2023. The gross and net NPAs were 5.7% and 2.7%, respectively, as on September 30, 2023.

On a consolidated basis, AFTPL reported a PAT of Rs. 26 crore in FY2023 on a total managed asset base of Rs. 1,464 crore as on March 31, 2023 compared to a PAT of Rs. 31 crore in FY2022 on a total managed asset base of Rs. 917 crore as on March 31, 2022. The net worth stood at Rs. 300 crore with a managed gearing of 3.4 times as on March 31, 2023 compared to Rs. 287 crore and 1.8 times, respectively, as on March 31, 2022. The gross and net NPAs stood at 5.9% and 3.2%, respectively, as on March 31, 2023 compared to 8.7% and 2.3%, respectively, as on March 31, 2022. Based on provisional financials, the company reported a PAT of Rs. 19 crore in H1 FY2024 on total managed assets of Rs. 1,790 crore as on September 30, 2023. The net worth stood at Rs. 370 crore with a managed gearing of 3.3 times as on September 30, 2023. The gross and net NPAs were 5.7% and 2.7%, respectively, as on September 30, 2023.

#### Key financial indicators

For the period/year ended	BFIL (standalone)				AFTPL (consolidated)			
	FY2021	FY2022	FY2023	H1 FY2024	FY2021	FY2022	FY2023	H1 FY2024
	IGAAP	IndAS	IndAS	IGAAP	IGAAP	IndAS	IndAS	IGAAP
Accounting standard	Audited	Audited	Audited	Provisional	Audited	Audited	Audited	Provisional
<b>Total income</b>	98	242	517	328	106	257	567	356
<b>Profit after tax</b>	9	20	8	6	4	31	26	19
<b>Net worth</b>	129	284	292	322	123	287	300	370
<b>Gross loan book</b>	325	689	1,137	979	328	698	1,159	1,000
<b>Total managed assets</b>	400	903	1,430	1,722	403	917	1,464	1,790
<b>Return on average managed assets<sup>1</sup></b>	2.6%	3.0%	0.7%	0.8%	1.2%	4.7%	2.2%	2.4%
<b>Return on average net worth</b>	7.2%	9.8%	2.8%	4.0%	3.6%	15.6%	9.0%	11.4%
<b>Managed gearing (times)</b>	1.7	1.8	3.4	3.8	1.8	1.8	3.4	3.3
<b>CRAR</b>	33.9%	37.2%	22.9%	22.4%	NA	NA	NA	NA
<b>Gross NPA (%)</b>	6.7%	8.8%	6.0%	5.7%	6.7%	8.7%	5.9%	5.7%
<b>Net NPA (%)</b>	0.0%	2.3%	3.2%	2.7%	0.0%	2.3%	3.2%	2.7%
<b>Net NPA/ Net worth (%)</b>	0.0%	5.3%	12.1%	7.9%	0.0%	5.3%	11.7%	6.9%

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

<sup>1</sup> Managed assets = Total assets + Off-book assets

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

		Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
Type	Nov 20, 2023			Nov 18, 2022	Oct 25, 2022	-	-	
1	Commercial paper	50.0	28.94	[ICRA]A3+	[ICRA]A3+	-	-	-
2	Long-term fund based	400.0	0.0	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	-
3	Market linked debenture long term	100.0	0.0	PP-MLD [ICRA]BBB (Stable)	PP-MLD [ICRA]BBB (Stable)	-	-	-
4	Non-convertible debentures	475.0	24.04	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple
Long-term fund based	Simple
Market linked debenture long term	Complex
Non-convertible debentures	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 October 31, 2023)**

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE08X514059	Commercial paper	Aug-21-2023	17.50%	Dec-19-2023	10.0	[ICRA]A3+
INE08X514067	Commercial paper	Aug-21-2023	17.50%	Jan-18-2024	10.0	[ICRA]A3+
INE08X514042	Commercial paper	Aug-21-2023	17.50%	Feb-19-2024	10.0	[ICRA]A3+
NA	Commercial paper*	NA	NA	NA	20.0	[ICRA]A3+
INE08X507152	Non-convertible debentures	Dec-13-2022	15.50%	Dec-31-2023	10.0	[ICRA]BBB (Stable)
INE08X507202	Non-convertible debentures	Jan-23-2023	14.50%	Jan-31-2024	10.0	[ICRA]BBB (Stable)
INE08X507236	Non-convertible debentures	Mar-29-2023	10.00%	Apr-29-2024	20.0	[ICRA]BBB (Stable)
NA	Non-convertible debentures*	NA	NA	NA	435.0	[ICRA]BBB (Stable)
NA	Market linked debenture long term*	NA	NA	NA	100.0	PP-MLD[ICRA]BBB (Stable)
NA	Long-term fund based*	NA	NA	NA	400.0	[ICRA]BBB (Stable)

Source: Company; \* Proposed/ yet to be placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities for considered for consolidated analysis**

Company Name	Ownership	Consolidation
Aeries Financial Technologies Private Limited (AFTPL)	Holding company	Full consolidation
Bhanix Finance and Investment Limited (BFIL)	Rated entity (100% subsidiary of AFTPL)	Full consolidation
Sqrrl Fintech Pvt Ltd (SFPL)	Fellow subsidiary (100% subsidiary of AFTPL)	Full consolidation
Aeries Fintech Pvt Ltd (AFPT)	Fellow subsidiary (85.75% subsidiary of AFTPL)	Full consolidation

**Corrigendum**

Document dated November 20, 2023, has been corrected with revisions as detailed below:

Page No.	Location on Page	Previous data	Revised data
7	Annexure I: Instrument details	Date of Issuance/ Sanction for ISIN INE08X507152 mentioned as Dec-09-2022	Date of Issuance/ Sanction for ISIN INE08X507152 revised to Dec-13-2022
7	Annexure I: Instrument details	Date of Issuance/ Sanction for ISIN INE08X507202 mentioned as Jan-16-2023	Date of Issuance/ Sanction for ISIN INE08X507202 revised to Jan-23-2023
7	Annexure I: Instrument details	Date of Issuance/ Sanction for ISIN INE08X507236 mentioned as Mar-28-2023	Date of Issuance/ Sanction for ISIN INE08X507236 revised to Mar-29-2023

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## ICRA Limited



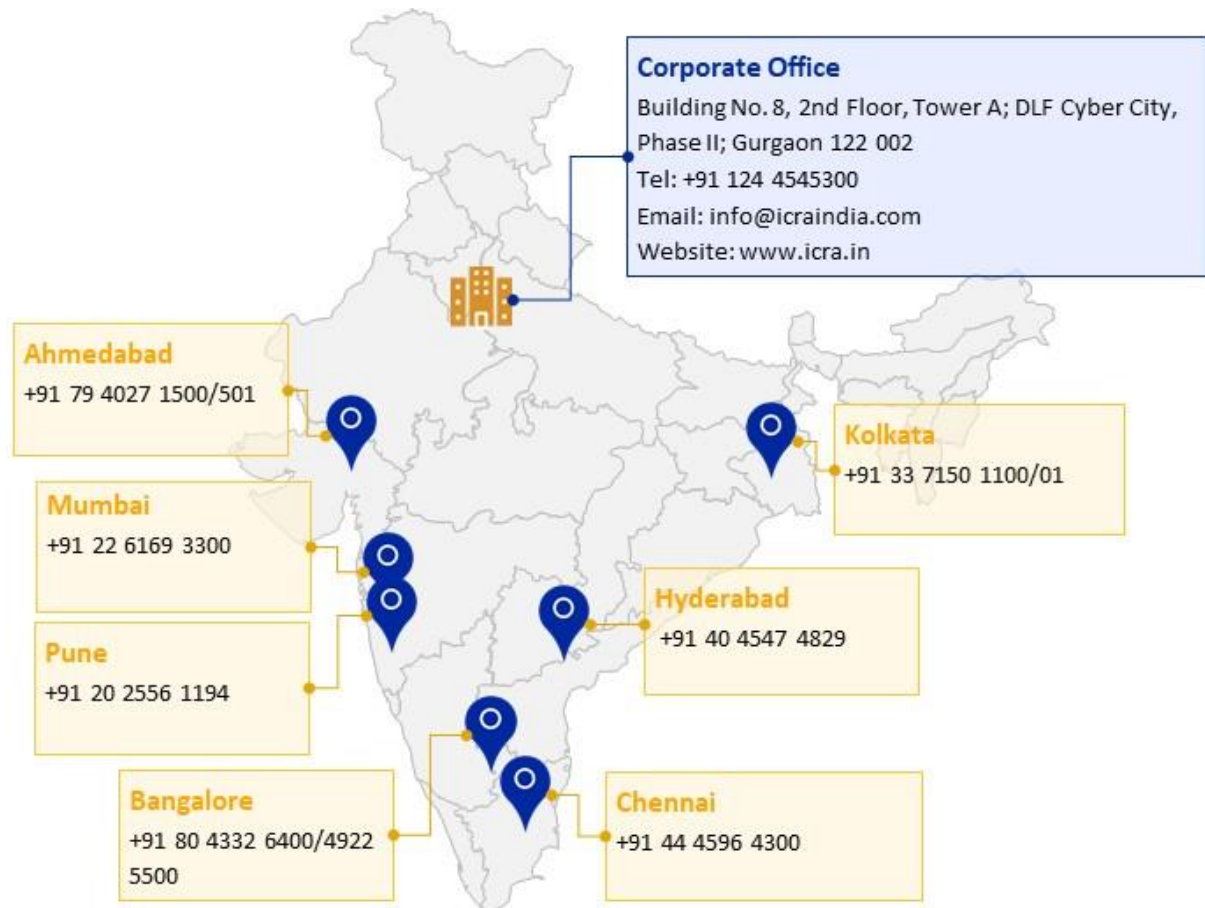
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