

Annapurna Finance Private Limited

December 27, 2024

Facilities/Instruments	Amount (₹crore)	Rating ¹	Rating Action
Long-term bank facilities	2,011.99	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Long-term instruments	34.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Long-term instruments	39.60	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Long-term instruments	15.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Long-term instruments	71.25	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Long-term instruments	100.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	15.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	18.75	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	40.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	3.25	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	30.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	50.40	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Non-convertible debentures	50.00	CARE A-; Stable	Reaffirmed; Outlook revised from Positive

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to long-term instruments and bank facilities of Annapurna Finance Private Limited (AFPL) continues to draw comfort from long track record of operations with asset under management (AUM) of ₹10,367 crore as on September 30, 2024 and moderate asset quality, with net stress assets to net advances of 1.85% as on September 30, 2024 (net stress assets includes net non-performing assets (NPA) of ₹76.16 crore, net security receipt of ₹60.87 crore as on September 2024), Ratings also consider long track record of promoters in the microfinance industry, diversified resource profile, and comfortable capitalisation metrics.

CARE Ratings Limited (CARE Ratings) observes that the overall microfinance industry is experiencing a significant rise in delinquencies, largely due to increasing borrower indebtedness and different contributing factors, including heatwaves, general elections, and political initiatives such as the "Karja Mukti Abhiyan." Challenges such as weakening joint liability group (JLG) model, decreased centre attendance, and high staff turnover have severely affected collection efficiency.

AFPL's rating of is partially offset with the moderating profitability owing to rise in credit cost and Operating expenses, moderate asset quality, inherent risks in the micro finance industry, including unsecured lending, leading to higher risk profile.

Further, as per the auditor's report, the company has breached financial covenants associated with eight debt facilities with outstanding of ₹319.89 crore. However, company has obtained waivers from seven facilities and the eighth facility with outstanding of ₹14.66 crore has been repaid in October 2024. Going Forward, CARE Ratings expects continued lender support and does not anticipate requests for sizeable recall or accelerated repayments. Deviation from the lender's current stance will be a critical factor for ongoing monitoring.

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

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improving profitability profile with return on total asset (RoTA) of over 2.5% on a sustained basis.
- Sizable scale-up of operations while maintaining asset quality.

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Weakening capitalisation profile with gearing rising beyond 6x on sustained basis.
- Significantly deteriorating asset quality profile impacting profitability.

Analytical approach: Standalone

Outlook: Stable

The outlook has been changed from positive to stable amid ongoing stress in the overall MFI industry. Stable outlook reflects CARE Ratings' expectation that the company will continue to manage stress, while maintaining control over credit costs and asset quality metrics.

Detailed description of key rating drivers:

Key strengths

Long track record of operations

AFPL has strong presence in eastern states of India with strong foothold in Odisha and Bihar, having an AUM of ₹10,367 crore as on September 30, 2024. Currently, the company has presence in 21 states through a network of 1,593 branches and caters to almost 28.83 lakh borrowers. The company's focus is the microfinance segment, which amounted to dominant 86% of AUM as on September 30, 2024, though reduced from 99% of AUM as on March 31, 2018. The micro, small & medium enterprises (MSME) segment has gradually increased from 1% of AUM as on March 31, 2018, to 14% of AUM as on September 30, 2024.

However, considering ongoing stress in the overall MFI industry, company has become more cautious towards fresh disbursement of loans, which resulted in negligible growth in H1FY25 compared to FY24 and further growth for FY25 is expected to remain muted.

Going forward, the portfolio's performance remains key monitorable.

Diversified resource profile

AFPL's resource profile remains diversified, having banking relationships with over 60 lenders and distributed across instruments, majority is concentrated towards term loans from banks/financial institutions (71%), followed by secured and unsecured non-convertible debentures (7%), external commercial borrowings (8%) and other borrowings including sub-debt (13%). In H1FY25, the company has raised ₹2,021.77 Crore in the form of term loans, external commercial borrowings (ECBs), Sub-Debts and non-convertible debentures (NCDs) at the interest rate ranging from 9.80-10.90%.

However, as per AFPL's audit report, the company was in non-compliance with certain covenants relating to performance of loan portfolio associated with eight debt facilities with outstanding of ₹319.89 crore. The company obtained waivers from seven facilities and eighth facility with outstanding of ₹14.66 crore has been repaid in October 2024. Going Forward, CARE Ratings expects continued lender support and does not anticipate requests for sizeable recall or accelerated repayments. Deviation from the lender's current stance will be a critical factor for ongoing monitoring.

Experienced management profile with continuous support from investors

AFPL's locus of operations is Odisha and is promoted by Gobinda Chandra Pattanaik (Managing Director) and Dibyajyoti Pattanaik (Director). Promoters have over two decades of experience in micro-financing activity and the company's affairs are managed by them and a professional team. AFPL has a track record of over a decade and has gradually developed a strong presence in the state. Apart from the promoter support, the company is backed by other strong institutional investors.

Further, the company's capitalization remains strong, with a capital adequacy ratio (CAR) of 25.45% as of March 31, 2024, and 30.91% as of September 30, 2024. The company's tangible net worth stood at ₹1,812 crore as of March 31, 2024, up from ₹1,835 crore on September 30, 2024.

CARE Ratings will continue to monitor the company's ability to raise capital and maintain healthy gearing levels, going forward.

Key weaknesses

Rising credit cost impacting profitability

The company's profitability has been impacted by increase in credit costs and operating expenses. AFPL has started guaranteeing loans under the government scheme named credit guarantee fund for micro units (**CGFMU**). And, as the guarantee fees has to be amortized through the tenure of loan, AFPL has seen an additional expense of INR 8 Cr. Additionally, in Q2FY25, company has made additional provision of ₹30 crore against the ARC transaction done in FY23 which has increased the credit cost.

CARE's Calculated credit costs of AFPL has increased to 4.18% in H1FY25, up from 3.74% in FY25. Additionally, the company's operating expenses (OPEX) have risen to 9.06% (annualized) in H1FY25, compared to 7.21% in FY25, due to the change in salary structure and hiring of additional staff.

However, the company's profitability is partially supported by significant DA income, which stands at around 3.49% in H1FY25. Despite this, the combination of high credit and operating costs has negatively impacted profitability, leading to a decline in Return on Total Assets (RoTA) to 1.44% in H1FY25, down from 2.65% in FY24.

CARE Ratings anticipates that credit costs will remain high over the next two quarters, which could further impact profitability.

Moderate asset quality

The company's asset quality remains moderate with gross NPA (GNPA) ratio, though increased from 2.87% on March 31, 2024, to 2.97% as on September 30, 2024. The 0+ days past due (dpd) ratio upon AUM has slightly moderated to 6.04% as on September 2024 compared to 5.1% as on March 2024.

Further, as on September 30, 2024, around 10% of the total borrowers (as a proportion to current AUM) have been classified as AFPL+4 lenders. Owing to the new stricter guardrails by Micro Finance Institutions Network (MFIN) limiting the number of lenders per borrower with a maximum of three microfinance lenders including SSFL (effective from January 01, 2025), headwinds for the asset quality are expected to continue in the near term from such overleveraged borrowers due to restricted availability of incremental microfinance loans.

Susceptibility of business considering event-based risks

The company's business operations are highly susceptible to event-based risks such as socio-political disruptions, regulatory risks, and natural calamities. Due to the unsecured nature of the portfolio, there is no recourse available to the company, in case of default by the borrower. Going forward, CARE Ratings will continue to monitor AFPL's ability to withstand such economic shocks while maintaining the asset quality and profitability metrics.

Liquidity: Adequate

The company has an adequate liquidity position given most borrowings are for longer tenure repayable over 2-7 years against shorter tenure of its advances, including a majority of JLG microfinance loans of 12-36 months. Per asset liability mismatch (ALM) statement as on September 30, 2024, AFPL has no negative cumulative mismatches in any time bucket. It has cash and bank balance of ₹525.48 crore (including unpledged fixed deposits) as on September 30, 2024.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Microfinance Institutions

AFPL (erstwhile, Annapurna Microfinance Private Limited [AMPL]) was initially promoted in 1990 as a society as People's Forum (PF) by Gobinda Chandra Pattanaik in Odisha. It started operation in the Khurda, Odisha to form and promote self-help groups (SHGs) and socio-economic development. In November 2009, PF acquired Gwalior Finance and Leasing Company Private Limited, a non-banking finance company (NBFC) registered in Varanasi, Uttar Pradesh, and transferred its microfinance loan portfolio to the NBFC. NBFC's name was changed to AMPL in February 2010 and then to its present name in January 2018. AFPL is engaged in microfinance lending to women borrowers under JLG, individual loans, housing loans and MSME loans.

Brief Financials (₹crore)	31-03-2023 (A)	31-03-2024 (A)	30-09-2024 (UA)
Total income	1,569.57	2,074.26	1,104.17
PAT	32.72	232.42	64.37
Interest coverage (times)	1.09	1.41	1.22
Total assets*	8,545.35	9,011.04	8,875.62
Net NPA (%)	1.35	0.70	1.04
ROTA (%)	0.42	2.65	1.44

A: Audited UA: Unaudited; Note: these are latest available financial results

*total assets are net of deferred tax assets and intangible assets

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹crore)	Rating Assigned and Rating Outlook
			Rate (%)			
Non-convertible debentures	INE515Q07533	09-07-2021	11.20%	09-07-2026	40.00	CARE A-; Stable
Non-convertible debentures	INE515Q07525	12-07-2021	11.20%	12-07-2026	37.00	CARE A-; Stable
Non-convertible debentures	INE515Q07566	05-07-2022	11.35%	07-07-2028	50.00	CARE A-; Stable
Non-convertible debentures	INE515Q08168	22-12-2021	11.50%	24-12-2027	30.00	CARE A-; Stable
Debt-Subordinate debt	INE515Q08101	23-03-2020	13.00%	13-04-2027	39.60	CARE A-; Stable
Non-convertible debenture/Subordinate debt	INE515Q08135	12-01-2021	12.29%	18-02-2028	71.25	CARE A-; Stable
Debt-Subordinate debt	INE515Q08127	31-03-2020	12.21%	30-04-2025	34.00	CARE A-; Stable
Debt-Subordinate debt	INE515Q08119	27-03-2020	14.50%	15-05-2026	15.00	CARE A-; Stable
Non-convertible debentures	INE515Q07616	22-09-2023	11.50%	25-09-2025	50.00	CARE A-; Stable
Non-convertible debentures	Proposed				0.40	CARE A-; Stable
Debt-Subordinate Debt	Proposed				100.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	Mar-26	2011.99	CARE A-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	2011.99	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
2	Debt-Subordinate Debt	LT	34.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
3	Debt-Subordinate Debt	LT	39.60	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
4	Debt-Subordinate Debt	LT	15.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (13-Sep-23)	1)CARE A-; Stable (29-Dec-22)	1)CARE A-; Stable

						2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	2)CARE A-; Stable (06-Jul-22)	(30-Sep-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (31-May-23) 2)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
7	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
8	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
9	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
10	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
11	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (29-Dec-22) 2)CARE A-; Stable	1)CARE A-; Stable (30-Sep-21)

							(06-Jul-22)	
12	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
13	Debentures-Non Convertible Debentures	LT	18.75	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21) 2)CARE A-; Stable (29-Jun-21)
14	Debt-Non-convertible Debenture/Subordinate Debt	LT	71.25	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21)
15	Debentures-Non Convertible Debentures	LT	40.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21) 2)CARE A-; Stable (29-Jun-21)
16	Debentures-Non Convertible Debentures	LT	3.25	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (30-Sep-21) 2)CARE A-; Stable (29-Jun-21)
17	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (29-Dec-22)	1)CARE A-; Stable (30-Sep-21)

							2)CARE A-; Stable (06-Jul-22)	2)CARE A-; Stable (29-Jun-21)
18	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	1)CARE A-; Stable (16-Dec-21)
19	Debentures-Non Convertible Debentures	LT	50.40	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (13-Sep-23) 2)CARE A-; Stable (31-May-23) 3)CARE A-; Stable (07-Apr-23)	1)CARE A-; Stable (29-Dec-22) 2)CARE A-; Stable (06-Jul-22)	-
20	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	1)CARE A-; Positive (20-Sep-23)	-	-
21	Debt-Subordinate Debt	LT	100.00	CARE A-; Stable	1)CARE A-; Positive (18-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debt-Non-convertible Debenture/Subordinate Debt	Complex
3	Debt-Subordinate Debt	Complex
4	Debt-Subordinate Debt	Simple
5	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

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