Akara Capital Advisors Private Limited

April 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE BBB; Stable / CARE A3+	Assigned
Non Convertible Debentures	200.00	CARE BBB; Stable	Assigned
Commercial Paper	100.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the various instruments of Akara Capital Advisors Private Limited (ACAPL) is based on the combined approach, which includes ACAPL and EQX Analytics Private Limited (EQXAPL, group entity), due to common management, business and financial linkages. ACAPL offers unsecured personal loans through its technology platform, Stashfin, which is managed and operated by EQXAPL. Both ACAPL and EQXAPL are 100% subsidiaries of Morus Technologies Pte Ltd. (MTPL), a Singapore-based entity supported by strong investors such as Blowfish Ventures, Divine Blessing Investments, Altara Ventures, Positive Moves Consulting, Fasanara Capital, Tencent Group, and Uncorrelated Ventures.

The ratings are supported by the group's adequate capitalisation, with a consolidated tangible net worth (TNW) of ₹902 crore and a gearing ratio of 1.1x as of December 31, 2024. However, CARE Ratings expects the capital requirements for the group to remain high to provide for any unexpected losses in its entirely unsecured loan book. Its solvency in term of Net NPA to TNW stood at 4.2% as on December 31, 2024. The rating also factors in the availability of adequate liquidity and expected capital support from the parent company.

The rating is, however, constrained by its limited track record, evolving nature of the unsecured personal loan business, weak asset quality metrics and evolving profitability given its operating expenses (which also includes non-cash share-based employee expenses) and credit costs are elevated. It reported a combined operating expenses to average total asset (ATA) ratio of 10.8% in FY2024 which although improved to 7.1% in 9M FY2025 remained elevated. CARE Ratings notes that share-based payments, which are non-cash in nature, compose a major chunk of its operating expenses, followed by ongoing investments in technology and team strengthening during the expansion phase. Additionally, CARE Ratings takes into account the dynamic market environment for fintech lenders and unsecured lending, which makes them more susceptible to regulatory changes. The potential impact of such changes on the company's operations remains a key monitorable. Further, its funding profile remains concentrated towards loans from NBFCs and banks, with incremental funding cost for 9M FY2025 relatively higher than its peers.

Rating sensitivities: Factors likely to lead to rating actions

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

- Scale up of the loan book with improvement in its asset quality with GNPA ratio remaining below 4% on a sustained basis
- Diversification in resource profile with larger share from banks and fund raising at competitive rates
- Improvement in credit cost and overall profitability

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

- Significant rise in credit cost, leading to deterioration in its profitability
- Increasing leverage with overall gearing remaining more than 3x on a combined basis

Analytical approach:

Combined approach of ACAPL and its group company, EQX Analytics Private Limited owing to common management and business linkages. Both are 100% subsidiary of Morus Technologies Pte. Ltd (MTPL), a Singapore based entity.

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

Outlook: Stable

The stable outlook factors in CARE Ratings' expectation that ACAPL will be able to profitably grow its scale of operations while maintaining adequate capitalisation profile and improving asset quality.

Detailed description of key rating drivers:

Key strengths

Adequate Capitalisation Levels: ACAPL is a wholly owned subsidiary of Morus Technologies Pte. Ltd. (MTPL), a Singapore-based entity backed by prominent investors such as Blowfish Ventures, Divine Blessing Investments, Altara Ventures, Positive Moves Consulting, Fasanara Capital, Tencent Group, and Uncorrelated Ventures. MTPL also owns two other subsidiaries: EQX Analytics Private Limited, which operates the technology platform, Stashfin and sources leads, and Titanium Fortune Financial Services Private Limited, which is currently non-operational. MTPL was founded by Mr. Tushar Aggarwal, who has over 20 years of experience in investment banking and private equity.

Since its inception, MTPL has raised approximately ₹826 crore in equity from diverse sources, including private equity firms, promoters, and high-net-worth individuals. MTPL has consistently supported ACAPL and EQX with capital infusions to facilitate their growth plans. As on December 31, 2024, the consolidated tangible net worth stood at ₹902.2 crore with a gearing ratio of 1.1x. On a standalone basis, ACAPL's net worth was approximately ₹786.5 crore as on December 31, 2024, with a gearing ratio of 1.5x. ACAPL received a capital infusion of ₹90.8 crore in FY24, resulting in a healthy capital adequacy ratio of 31.6%. However, CARE Ratings notes that as operations scale up, the gearing ratio is expected to rise, and ACAPL will require additional equity infusions from its parent, MTPL, to maintain adequate capitalisation levels.

Key weaknesses

Moderate scale and evolving profitability: The company obtained its NBFC license from the RBI in 2016 and began disbursing unsecured personal loans in 2017. ACAPL's loan book consists of small-ticket loans to individuals, with an average ticket size of ₹46,000 and tenures ranging from 12 to 36 months. Since inception till December 2024, the company has disbursed loans totalling ~₹12,500 crore. While the company has demonstrated strong growth potential, with its AUM expanding at a 4-year CAGR of 84%, rising from ₹160 crore as of March 31, 2020, to ₹1,839 crore as of March 31, 2024, its AUM declined by ~6%, to ₹1,731 crore (provisional) as on March 31, 2025, due to reduction in co-lending business. Additionally, during the year, the company discontinued its high-yielding high-risk product (Elevate) which further impacted its growth in FY2025. CARE Ratings notes that the entity has reported growth of ~12% in FY2025, on its on-book portfolio. Moving forward, the company's ability to grow its loan book in the dynamic digital lending space remains a key factor to monitor.

On a consolidated basis, the group reported losses until FY2023 due to high operating expenses and credit costs. However, with the improving scale of operations and operational efficiency, the group reported a net profit of ₹17.7 crore (translating into return on average total assets (RoTA) of 1.0% and return on average tangible net worth (RoNW) of 2.4%) in FY2024 and ₹18.6 crore (RoTA of 1.3% and RoNW of 2.9%) in 9M FY2025. The group's operating cost was 10.8% in FY2024 and 7.2% in 9M FY2025, of which share-based payments composed a major chunk, along with ongoing investments in technology and team expansion during the growth phase. While the share-based payments to employees is an expense and the same does not impact the net worth of the company, a shift from share-based payment to cash payments to employees, would affect its net worth. Additionally, group's credit costs with respect to average total assets (ATA) increased from 9.9% in FY23 to 22.7% in FY24 and 16.9% in 9M FY2025, driven by higher write-offs. The company has written off ₹371 crore in FY2024 and ₹254 crore during 9M FY2025 and CARE Ratings expects the credit cost to remain elevated in the near future.

On a standalone basis, ACAPL reported a PAT of ₹88.8 crore (provisional) in FY25, compared to ₹68.8 crore in FY24 (₹7.8 crore in FY23), largely due to higher fee income. CARE Ratings notes that the profitability profile of the entity is evolving and going forward, the company's ability to maintain profitability while scaling operations and managing asset quality remains a key factor to monitor.

Concentrated resource profile: As on December 31, 2024, the top three lenders accounted for 79% of ACAPL's funding, with parent company, MTPL, contributing 54% through External Commercial Borrowings (ECB). The company also raised funds from other sources, including NCDs (27%), NBFCs (12%), banks (6%), and others (2%). Although ACAPL has secured funding from banks, their contribution remains relatively low, and overall cost of borrowing remains relatively high.

During 9M FY2025, company has raised total funding of ₹622.5 crore of which, ₹153.9 crore was raised from the parent company, MTPL, at an interest rate of 10%. The average borrowing cost for ACAPL excluding borrowings from parent, is around 13.8%. The company's ability to reduce lender concentration and diversify its funding sources remains a key factor to monitor.

Moderate asset quality: The inherent risk in ACAPL's portfolio remains elevated due to the unsecured nature of its loans. The early delinquencies (0+dpd) rose to 31.3% in December 2024, compared to 27.3% in March 2024 and 16.3% as on March 2023. It reported GNPA of 4.0% as on December 31, 2024, as against 4.9% in March 31, 2024, declining on account of write offs and recoveries. Company has written off total portfolio of ₹371.2 crore in FY24 and ₹254.4 crore in 9MFY25. Going forward, the trajectory of ACAPL's asset quality will continue to be an important factor to monitor.

Evolving regulatory space: The regulatory landscape for the entities operating in digital lending space is evolving and any adverse change in regulations or compliance could impact credit profile of such entities. RBI has issued various guidelines for this sector, such as increase in risk weights for unsecured consumer loans, including credit cards, by 25% for banks and NBFCs (November 16, 2023), and revised guidelines for P2P lending platforms (August 2024), which will impact the companies in this sector. As digital lending continues to grow in momentum and scale, the evolving regulations expose the industry to regulatory risks.

Liquidity: Adequate

Akara's asset liability maturity (ALM) stood adequate, with no negative cumulative mismatches in any of the time buckets up to one year as on January 31, 2025, due to the relatively short nature of its loans as against longer tenure of its borrowings. As on January 31, 2025, the company had free cash and bank balance along with liquid investments of ₹76 crore and scheduled collections of ₹796 crore in next 6 months against the debt repayment obligations of Rs.132 crore.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Short Term Instruments
Non Banking Financial Companies

About the company and industry

Industry classification

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

Akara Capital Advisors Private Limited (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 and Ms. Shruti Aggarwal, who have several years of experience in the finance domain.

ACAPL is currently owned by Morus Technologies Pte. Ltd (MTPL), a Singapore-based neobanking start-up backed by investors like Blowfish Ventures, Divine Blessings Investments, Altara Ventures, Positive Moves Consulting, Fasanara Capital, Tencent Group, Uncorrelated Ventures etc. The Group has another wholly-owned subsidiary, EQX Analytics Private Limited (EQXAPL) which takes care of technological platform for ACAPL which is Stashfin.

Standalone Financials of ACAPL:

Brief Financials (₹ crore)	31-03-2023	31-03-2024	9MFY25
	A	A	UA
Total income	216.28	785.05	537.05
PAT	7.81	68.82	75.79
Interest coverage (times)	1.28	1.48	1.98
Total assets*	1417.97	1495.93	1701.81
Net NPA (%)	2.3	2.5	1.8
ROTA (%)	0.76	4.72	6.32

A: Audited UA: Unaudited; Note: these are latest available financial results
**total assets excludes Deferred tax assets and intangible assets*

Combined Financials (ACAPL+EQXAPL)

Brief Financials (₹ crore)	31-03-2023	31-03-2024	9MFY25
	A	A	UA
Total income	Not available	834.88	550.29
PAT		27.34	23.04
Interest coverage (times)		1.20	1.48
Total assets		1593.04	1804.08
Net NPA (%)		2.5	1.8
ROTA (%)		1.40	2.47

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

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 Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	-	NA	NA	NA	100.00	CARE A3+
Debentures-Non Convertible Debentures	-	NA	NA	na	200.00	CARE BBB; Stable
Fund-based - LT/ ST-Term loan	-	-	-	NA	100.00	CARE BBB; Stable / CARE A3+

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 2025-2026	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
1	Fund-based - LT/ ST-Term loan	LT/ST	100.00	CARE BBB; Stable / CARE A3+				
2	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A3+				
3	Debentures-Non Convertible Debentures	LT	200.00	CARE BBB; Stable				

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	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT/ ST-Term loan	Simple

Annexure-5: Lender details

To view the 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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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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