

November 29, 2023

BSE Ltd
General Manager
Department of Corporate Services
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

Scrip Code: 960488 & 973375

Sub: Intimation of Credit Rating pursuant to Regulation 51(2) and Regulation 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Dear Sir,

With reference to the captioned subject and pursuant to Regulation 51(2) and Regulation 55 read with Part B of Schedule III of SEBI Listing Regulations, this is to inform you that Acuité Ratings & Research Limited ("Acuite") by its letter dated November 28, 2023 have reaffirmed the existing ratings of the Company on Bank Loan, a copy of the said letter is enclosed.

Additionally in terms of Regulation 55 of SEBI Listing Regulations and in terms of the format prescribed in Chapter XI of SEBI Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022 (updated June 30, 2023), the details in respect of Credit Rating obtained from Acuite is as under:

Details of Credit Rating - Current Rating Details									
Sr. No.	ISIN	Name of the Credit Rating Agency	Credit rating assigned	Outlook (Stable/Positive/Negative/No Outlook)	Rating Action (New/Upgrade/Downgrade/ReAffirm/Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	2	3	4	5	6	7	8	9	10
1	NA	Acuité Ratings & Research Limited	ACUITE AA-	Stable	Reaffirm (Positive to Stable)	-	28-11-2023	Verified	28-11-2023

Request you to take the above information on record.

Yours faithfully,

For Avendus Finance Pvt. Ltd.

Rajendra Rana
Authorised Signatory

Encl: As above



Press Release

November 28, 2023

AVENDUS FINANCE PRIVATE LIMITED Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE AA- Stable Reaffirmed Positive to Stable	-
Total Outstanding	200.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE AA-' (read as ACUITE double A minus) on the Rs. 200.00 Cr. bank facilities of Avendus Finance Private Limited (AFPL). The Outlook has been revised from 'Positive' to 'Stable'.

Rating Rationale

The revision in outlook is on the account of moderation in revenues and profitability at a consolidated level of some business units. At a consolidated level, Avendus reported a PAT of Rs 138 Cr in FY23 as against Rs 162 Cr in FY22. The PAT in H1FY24 stood at Rs 24.30 Cr (Provisional), this was largely on account of subdued performance of Investment Banking, Wealth Management and Asset Management business. The Investment Banking business one of the key business unit of the group posted a PBT of Rs 138 Cr in FY23 as against Rs 341 Cr in FY22 (Rs 79 Cr in FY21). The Wealth Management business unit reported a loss of Rs 9.88 Cr in FY23 owing to the high operational expenses incurred on account of staff and expansion expenses in FY23. Acuite also takes note that the Group's NBFC division (AFPL) is exposed to headwinds given the wholesale nature of its portfolio and saw an increase in GNPA levels at 6.27 percent as on March 31, 2023 from 4.11 as on March 31, 2022. The company reported NIL GNPA in H1FY24.

The rating also factors in the well diversified products offerings and established presence of the Avendus group in the domain of Investment Banking, Asset Management, Wealth Management, Credit Solutions and Institutional equities supported by strong and experienced management. The rating also derives comfort from the association with global private equity firm, Kohlberg Kravis Roberts (KKR) which holds ~63 percent in the holding company Avendus Capital Private Limited. Besides the support by way of equity infusion, Avendus Group also benefits from its association with KKR, KKR has board representation in the group and Avendus benefits from KKR's oversight and expertise across various sectors. With a consolidated net worth of Rs 1541 Cr. and gearing of 0.53 times as on March 31 2023 the group has healthy capitalization levels and is adequately positioned to support the growth of its businesses.

Acuite takes note of acquisition of the Institutional Equities business of Spark Capital Advisors (India) Private Limited, deal concluded in Q3FY23. Acuite believes that this acquisition will help Avendus Group in further diversifying their service offerings and improve the revenue profile.

About the company

AFPL (erstwhile Pacific Hire Purchase Limited), is a Non-deposit taking NBFC and is a 100 percent subsidiary of ACPL. AFPL offers customised credit solutions such as promoter funding, corporate finance, structured debt solutions, loan against securities and acquisition finance to the mid-market segment. Avendus Finance Private Limited (AFPL), a wholly owned subsidiary of ACPL and the lending arm of the Group, commenced operations in 2016. It benefits from the strong track record of the promoters in investment banking (IB), healthy capitalisation, and a conservative lending policy.

About the Group

Avendus Group, promoted by Mr. Ranu Vohra, Mr. Kaushal Aggarwal and Mr. Gaurav Deepak, started operations in 1999, through its flagship company Avendus Capital Private Limited (ACPL). ACPL initially made a foray in investment banking and later diversified into wealth management. Gradually, it expanded its presence across other

segments to become a diversified financial service provider. Apart from its investment banking and wealth management services, ACPL through its subsidiaries also diversified into management of Alternate Investment Funds and further started to provide credit solutions to mid-market borrowers since FY2016 through AFPL. Avendus group has a fairly well spread presence at seven cities in India, Europe, United States and Singapore. ACPL has been able to attract equity investments from Kohlberg Kravis Roberts (KKR) in 2016, to build a multi-asset financial services platform. KKR, (through its Singapore based investment arm Red point Investments Pte. Ltd) holds a majority stake of ~63 percent in ACPL as on March 31, 2023.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has consolidated the business and financial risk profiles of ACPL, AFPL along with other subsidiaries/associates of ACPL (Hereinafter referred to as 'Avendus Group') for arriving at the rating. The consolidation is in view of common promoters and management, integrated businesses, shared brand name, and significant operational and financial linkages between these entities.

Extent of consolidation : Full

Key Rating Drivers

Strength

Established presence in financial services and Group Linkages

ACPL's promoters have demonstrated expertise in Investment Banking and experience of over two decades in focus areas such as technology, consumer, healthcare, digital, IT and outsourcing. Also, the company has hired experienced professionals in the financing, wealth, and asset management businesses. Additionally, it benefits from the experience of eminent professionals on its board. The credit business is led by Mr. Nilesh Dhedhi (MD & CEO of AFPL), who has over 18 years of global experience in financial services. The Group derives benefits from capital infusion by, and synergies with, global private equity firm, Kohlberg Kravis Roberts (KKR) which holds ~63 percent in the holding company Avendus Capital Private Limited through their Singapore based investment company Redpoint investment Pte Limited, contributing to the growth in the overall business volume. Besides the support by way of equity infusion, Avendus Group also benefits from its association with KKR. KKR has board representation in the group and Avendus benefits from KKR's oversight and expertise across various sectors, global insights and products, international practices and KKR's wide network of relationships.

AFPL, the NBFC arm of the Group, has a loan book of Rs. 1,154 Cr. as on June 30, 2023 and Rs. 1,250 Cr. as on March 31, 2023, primarily in midmarket segment offering structured finance and Loan against securities.

Acuité believes that Avendus Group's business profile will benefit from its established presence in financial services, synergies across its various verticals and expertise of its top management.

Significant synergies across various product offerings; diversified revenue profile from a range of fee based and fund based services.

Avendus Group has established itself as one of the leading player in investment banking and wealth management. The Group has been instrumental in supporting various corporates in their fund raising initiatives by virtue of their established presence in the Investment Banking activity since 1999. As a natural corollary to its fee based Investment Banking activity, the Group commenced its NBFC operations through AFPL, to meet the financing requirements of its clients.

Though generally sector agnostic, AFPL focuses on providing financing solutions to companies in industrials, healthcare, consumer, digital and technology segments, which have been the key focus areas. The company follows stringent underwriting and undertakes detailed due diligence including financials audits and legal diligence before taking credit decisions.

Acuité believes that the Group will benefit from its established business model and the ability to offer a wide range of fee-based services and fund based solutions to its clients.

Comfortable capitalization levels and resource raising ability.

With a consolidated net worth of Rs 1541 Cr. reported as on March 31, 2023, the group is adequately positioned to support the growth of its new businesses over the medium term. Most of the capital requirement will be in the lending business in AFPL, as other businesses including Investment Banking are fee-based. The gearing policy is conservative for the lending business (AFPL) (1.03 times as on March 31, 2023) and at the group level (0.0.53 times as on March 31, 2023). Also, the company has a flexibility to raise capital given its predominant experience in Investment Banking.

Acuité believes that the company will benefit from the Group's ability to raise resources and maintain health capitalization at all levels.

Weakness

Susceptibility of performance to the economic activity and risks inherent in wholesale lending; Limited track record in lending operations

Avendus Group's revenues from investment banking are primarily linked to the level of activity in the financial markets, such as M&A, PE buyouts, Fresh issuance of securities. Any slowdown in the number of deals and level of activities in the markets will in turn impinge on the operating performance of the investment banking revenues. As regards the financing business of the Group, AFPL commenced its lending operations in 2016 and has been primarily focused on wholesale lending segment. The company offers structured credit solutions, the key offerings are promoter

funding, corporate finance, structured debt solutions, loan against securities and acquisition finance. The loans are relatively wholesale in nature with an average ticket size of Rs. 40 Cr-50 Cr. and above for a tenure ranging 3 to 5 years. The company had overall loan book of Rs. 1,250 Cr. as on March 31, 2023 (P.Y: Rs. 1,271 Cr.) across 47 borrowers. The Gross Non-performing assets as on March 31, 2023 stood at 6.27 percent as against 4.11 being reported as on March 31, 2022. Although the company reported NIL GNPA in H1FY 2024, the company is still exposed to headwinds given the nature of its portfolio.

Acuite believes that the performance of Avendus Group will be influenced by the level of activity in the market and performance of the wholesale lending segment.

Moderation in Financial Performance

At consolidated level, ACPL reported PAT of Rs 138 Cr. as on March 31, 2023 as against Rs 162 crore as on March 31, 2022. The PAT in H1FY24 stood at Rs 24 Cr(Provisional) , this was largely on account of subdued performance of Investment Banking, Wealth Management and Asset Management business. ROA of the group subdued from 6.06 percent in FY22 to 4.56 percent in FY23 (3.69 percent in FY21) and their Operating Expense to Earning Assets also remained high at 36 percent in FY23.

On standalone basis, AFPL reported PAT of Rs 41.58 Cr. as on March 31, 2023 as against Rs. 25.05 crore as on March 31, 2022. The Net Interest Margin (NIM) as on March 31, 2023 improved to 7.67 percent (7.16 percent as on March 31, 2022). Return on Average Assets (ROAA) stood at 2.59 percent as on March 31, 2023.

Acuite believes that the earning profile of Avendus Group from the non-fund based business operations would remain susceptible to inherent risks in capital market and overall economic environment, while its fund based business operations would continue to drive the group's future growth trajectory.

ESG Factors Relevant for Rating

Avendus Group has a diversified revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behavior. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry.

AFPL's board comprises a total of 8 directors out of which 3 are independent directors and includes a female director. Avendus Group maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. The Group also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the group, if relevant. In terms of its social impact, the group is actively engaged in community development programmes through its CSR committee.

Rating Sensitivity

- Dilution in parent shareholding and support
- Movement in profitability metrics
- Movement in asset quality
- Scale of operations

All Covenants

AFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

AFPL has a healthy liquidity position with no cumulative mismatches as per ALM statement dated June 30, 2023. The company has demonstrated ability to raise funds through commercial paper in case of any short-term funding requirement by a borrower. Further, the company maintains excess liquidity in the form of FDs or liquid NCDs/ MFs which can be liquidated in case of any unanticipated business needs. AFPL reported cash and cash equivalent including liquid mutual funds stands at Rs 297 Cr. as on March 31, 2023.

Outlook: Stable

Acuite believes that Avendus Group will maintain a 'Stable' credit profile on the back of its established presence in financial services segment and continuing support from its majority investor, KKR. The outlook may be revised to 'Positive' in case of significant growth in scale of operations and profitability while maintaining asset quality and capitalization levels. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its asset quality or if the Group faces headwinds in scaling up its operations or if there is any significant change in the ownership pattern.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	1530.46	1681.62
Total Income*	Rs. Cr.	157.45	120.37
PAT	Rs. Cr.	41.58	25.05
Net Worth	Rs. Cr.	761.91	720.14
Return on Average Assets (RoAA)	(%)	2.59	1.60
Return on Average Net Worth (RoNW)	(%)	5.61	3.54
Total Debt/Tangible Net worth (Gearing)	Times	1.03	1.35
Gross NPA	(%)	6.27%	4.11%
Net NPA	(%)	0.00%	0.25%

*Total income equals to Net Interest Income plus other income.

Key Financials - Consolidated

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	3016.52	3018.33
Total Income*	Rs. Cr.	952.23	1296.59
PAT	Rs. Cr.	137.73	161.87
Net Worth	Rs. Cr.	1540.69	1365.32
Return on Average Assets (RoAA)	(%)	4.56	6.06
Return on Average Net Worth (RoNW)	(%)	9.48	12.64
Total Debt/Tangible Net worth (Gearing)	Times	0.53	0.75
Gross NPA	(%)	NA	NA
Net NPA	(%)	NA	NA

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Aug 2022	Proposed Bank Facility	Long Term	150.00	ACUITE AA- Positive (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE AA- Positive (Reaffirmed)
01 Jun 2021	Proposed Bank Facility	Long Term	150.00	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE AA- Stable (Reaffirmed)
03 Mar 2020	Proposed Bank Facility	Long Term	150.00	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE AA- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	200.00	Simple	ACUITE AA- Stable Reaffirmed Positive to Stable

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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