

November 29, 2024^(Revised)

Bhanix Finance and Investment Limited: Ratings reaffirmed; Outlook revised to Negative from Stable

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
Non-convertible debentures	435.0	435.0	[ICRA]BBB (Negative); Reaffirmed and outlook revised to Negative from Stable
Non-convertible debentures	40.0	0.0	[ICRA]BBB (Negative); Reaffirmed and outlook revised to Negative from Stable and withdrawn
LT-Market linked debentures	100.0	100.0	PP-MLD [ICRA]BBB (Negative); reaffirmed and outlook revised to Negative from Stable
Long term fund based	400.0	400.0	[ICRA]BBB (Negative); Reaffirmed and Outlook revised to Negative from Stable
Total	1,025.0	985.0	

*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 ~48% stake (fully diluted basis) in AFTPL as of Oct 2024 and has licensed the CASHe mobile application to AFTPL for perpetual and exclusive use in India.

The revision on outlook on the long-term ratings for BFIL reflects the significant moderation in the scale of operations and the weakening of the asset quality, putting pressure on its earnings profile. The assets under management (AUM) declined to Rs. 633 crore on September 30, 2024 from Rs. 1,203 crore on September 30, 2023 (Rs. 979 crore on March 31, 2024) due to moderate disbursements, following the increase in the risk-weighted assets for unsecured consumer loans and bank credit to non-banking finance companies (NBFCs) in November 2023 by the Reserve Bank of India (RBI). Further, elevated credit costs continue to put pressure on the earnings profile. Consequently, AFTPL on a consolidated basis reported a net profit of Rs. 1 crore in FY2024 compared with a net profit of Rs. 26 crore in FY2023. Moreover, the regulatory landscape for fintech lenders, especially in the unsecured space, is currently evolving; thus, the impact of regulations on the company's business operations would be a key monitorable.

The ratings consider BFIL's adequate capitalisation for the current scale of operations with a consolidated (AFTPL) net worth¹ of Rs. 294 crore and a managed gearing of 3.1 times as on March 31, 2024 (Rs. 294 crore and 3.5 times, respectively, as on March 31, 2023). Given its growth plans and muted internal capital generation, the company would need to raise capital in the near term of which Rs. 27 crore has been raised by AFTPL till date FY2025 and additional Rs. 23 expected to be raised by end of the fiscal. In this regard ICRA notes that the company has reoriented the business model to focus more on off-balance sheet growth to conserve capital and has accordingly optimised the operating costs. Consequently, the share of the on-book portfolio

¹ Net of goodwill and excluding compulsorily convertible debentures (as per ICRA calculations)

declined to 17% of the AUM as on September 30, 2024 from 71% on September 30, 2023 (51% on March 31 2024). The ratings also factor in BFIL's shorter-tenor loans, which support its liquidity profile.

The ratings remain constrained by 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 in FY2022 and FY2023 and has since moderated in FY2024 and H1 FY2025. On a standalone basis, BFIL reported a net loss of Rs. 30 crore in FY2024 due to the sharp increase in credit costs and high operating expenses. Nonetheless, recoveries against some bad debts, reduction in operating costs and higher non-interest operating income resulting in a net profit of Rs. 9 crore in H1 FY2025. Overall, BFIL's ability to contain its credit costs and maintain the overall profitability, while scaling up the loan book, remains the key rating monitorable.

ICRA has reaffirmed and withdrawn and revised the outlook to Negative from Stable on the rating assigned to the Rs. 40.00 crore non-convertible debenture programme of BFIL as there is no amount outstanding against the rated instrument and the withdrawal is in accordance with ICRA's policy on withdrawal of credit ratings.

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. 275 crore and a managed gearing of 2.5 times as of September 30, 2024 (Rs. 294 crore and 3.1 times, respectively, as on March 31, 2024 for AFTPL on a consolidated basis). The decline in scale of operation had resulted in decline in the managed gearing to 2.5 times as on September 30, 2024 from 3.4 times on March 31, 2024 with incremental business largely in the form of off-book co-lending portfolio. During FY2018-FY2022, AFTPL received equity of Rs. 252 crore from promoters. Additionally, Rs. ~30 crore convertible compulsorily convertible shares had been raised between March 2024 to October 2024. ICRA expects equity infusion at BFIL through AFTPL in the near term to support its growing operations. Maintaining prudent capitalisation is one of the key mitigants against delinquencies and other credit risks associated with the business.

Credit challenges

Modest and declining scale of operations – BFIL started operations in 2017 and its AUM scaled up at a compound annual growth rate (CAGR) of 69% during FY2019-FY2023. However, the AUM declined to Rs. 633 crore on September 30, 2024 from Rs. 1,203 crore on September 30, 2023 (Rs. 979 crore on March 31, 2024) due to moderate disbursements, following the increase in risk-weighted for assets unsecured consumer loans and bank credit to NBFCs in November 2023 by the RBI. In this regard, ICRA notes that the company has reoriented the business model to focus more on off-balance sheet growth to conserve capital and has accordingly optimised on operating costs. Consequently, the share of the on-book portfolio has declined to 17% of the AUM as on September 30, 2024 from 71% as on September 30, 2023 (51% as on March 31 2024). BFIL's ability to contain its credit costs and maintain the overall profitability, while scaling up the loan book, remains the key rating monitorable.

Weakening asset quality; putting pressure on earnings profile – 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, near-prime (below 700 bureau score) and is hence not serviced by banks. Although, the 90+ days past due (dpd) for the on-book portfolio had remained largely stable at Rs. 63 crore as on March 31, 2024 (Rs. 66 crore as on March 31, 2023), the decline in the loan book resulted in the weakening of the reported asset quality indicators. BFIL reported gross non-performing advances (GNPAs) of 12.4% of the gross loan book as on March 31, 2024 compared to 6.0% as on March 31, 2023.

ICRA expects some weakening of the reported asset quality indicators in FY2025 subject to write-offs, which would have a bearing on the earnings profile. The Credit costs (net of recoveries against bad debt), as a percentage of loan disbursements, increased to 5.5% in FY2024 from 4.4% in FY2023 owing to write-offs of Rs. 257 crore in FY2024 (Rs. 201 crore in FY2023). Cumulative credit costs, as a percentage of cumulative disbursements till H1 FY2025, remained high at 5.4%. The collection efficiency (excluding prepayments) of 87% in H1 FY2025 was relatively stable in comparison with FY2024 (87%) and FY2023 (88%). Further, ICRA takes note of the decline in the share of lower tenure loans (tenure up to 180 days), wherein the delinquency trend is comparatively weaker (~80% of disbursements in H1 FY2025 were towards 270+ days loans compared with 64% in H1 FY2024) demonstrated in the lower delinquencies in loans disbursed since October 2023.

At the consolidated level, AFTPL has reported a net profit since FY2020. However, the sharp increase in credit costs and high operating expenses resulted in the weakening of the overall earnings profile it reported a net profit of Rs. 1 crore in FY2024 compared with a net profit of Rs. 26 crore in FY2023. On a standalone basis, BFIL's profitability is supported by higher, albeit historically volatile, lending yields and net interest margins (NIMs). However, increase in credit costs due to operating inefficiencies due to decline in scale resulted in a net loss of Rs. 30 crore for BFIL on standalone basis. Nonetheless, the standalone earnings profile improved in H1FY2025 with recoveries from some bad debts and higher non-interest operating income (facilitation and sourcing fee income against the off-book portfolio). BFIL's ability to contain its credit costs and maintain the overall profitability, while scaling up the loan book, remains the key rating monitorable.

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, 2024 owing to the short tenure of the loan book. As per the ALM profile as on September 30, 2024, BFIL has scheduled principal debt repayments of Rs. 171 crore for the 12 month period ending September 30, 2025 against which scheduled principal inflows from advances were Rs. 117 crore. The company had cash and bank balance of Rs. 75 crore as on September 30, 2024.

BFIL's borrowing is largely dominated by term loans from NBFCs with a share of 39% of the total borrowings as on March 31, 2024, though the same declined from 47% as on March 31, 2023. The share of term loans from banks stood at 21% while debentures accounted for 31% of the total borrowings as on March 31, 2024. Additionally, the company had borrowings in the form of cash/WCDL (6%) as on March 31, 2024.

Rating sensitivities

Positive factors – An improvement in the profitability and asset quality indicators while growing the business on a sustained basis would be a credit positive.

Negative factors – Continued decline in business volumes and further weakening in the asset quality indicators exerting pressure on earnings, could lead to a rating downgrade. Pressure on the ratings could also arise if the managed gearing exceeds 4 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
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, has a ~48% stake (fully diluted basis) in AFTPL as on October 31, 2024 while other investors and promoter-owned entities held the balance. TSLC Pte Ltd. (TSLC), a Singapore based company, operating in financial technology owns all the intellectual property developed for CASHe and has the worldwide rights outside of India to the application of its intellectual property for its lending tech platform.

Mr. Raman Kumar, group chairman is the founder & former chairman/CEO of MModal (listed on NASDAQ), Further the management of BFIL has considerable experience in the field of banking and financial services and technology platform development. AFTPL has a set of directors including Mr. Deepak Amitabh, who is an experienced senior bureaucrat, Ex-IRS officer. He is former CMD of PTC India Limited and an advisor to Adani Group.

BFIL provides short-term unsecured personal loans to salaried individuals through CASHe. BFIL focuses on near-prime (below 700 bureau score) 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, 2024, BFIL's AUM stood at about Rs. 633 crore with long-tenure products (more than 270 days) accounting for 81% while relatively shorter-tenure products (less than 270 days) accounted for the balance (19%).

On a standalone basis, BFIL reported a net loss of Rs. 30 crore on a total income of Rs. 607 crore in FY2024 compared to a PAT of Rs. 8 crore on a total income of Rs. 527 crore in FY2023.

On a consolidated basis, AFTPL reported a net profit of Rs. 1 crore on a total income of Rs. 669 crore in FY2024 compared to a PAT of Rs. 26 crore on a total income of Rs. 578 crore in FY2023.

Key financial indicators

For the period/year ended	BFIL (standalone)			AFTPL (consolidated)		
	FY2023	FY2024	H1 FY2025	FY2022	FY2023	FY2024
	IndAS	IndAS	IndAS	IndAS	IndAS	IndAS
Accounting standard	Audited	Audited	Provisional	Audited	Audited	Audited
Total income*	517	588	141	257	567	649
Profit after tax	8	-30	9	31	26	1
Total managed assets	1,429	1,315	1,088	917	1,465	1,327
Return on assets	0.7%	-2.2%	1.6%	4.7%	2.2%	0.1%
Managed Gearing (times)	3.4	3.4	2.5	1.8	3.5	3.1
Gross stage 3%/Gross NPA	6.0%	12.4%	19%	8.7%	12.4%	6.0%
CRAR%	22.9%	30.2%	NA	NA	NA	NA

Source: Company, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations; *excluding bad debts recovered and sale of portfolio to ARCs

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	FY2025	FY2024		FY2023		FY2022	
			29-Nov-24	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	50.00	[ICRA]A3+	20-NOV-2023	[ICRA]A3+	18-NOV-2022	[ICRA]A3+	-	-
Non-convertible debentures	Long Term	435.00	[ICRA]BBB (Negative)	20-NOV-2023	[ICRA]BBB (Stable)	25-OCT-2022	[ICRA]BBB (Stable)	-	-
				-	-	18-NOV-2022	[ICRA]BBB (Stable)	-	-
Market linked debenture long term	Long Term	100.00	PP-MLD[ICRA]BBB (Negative)	20-NOV-2023	PP-MLD[ICRA]BBB (Stable)	18-NOV-2022	PP-MLD[ICRA]BBB (Stable)	-	-
Long-term fund based	Long Term	400.00	[ICRA]BBB (Negative)	20-NOV-2023	[ICRA]BBB (Stable)	18-NOV-2022	[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	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 September 30, 2024)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE08X507293	Non-convertible debentures	14-Mar-2024	13.50%	16-Mar-2025	2.92	[ICRA]BBB (Negative)
INE08X507301	Non-convertible debentures	12-Apr-2024	13.50%	14-Apr-2025	3.53	[ICRA]BBB (Negative)
INE08X507327	Non-convertible debentures	28-Jun-2024	14.25%	01-Jul-2025	2.27	[ICRA]BBB (Negative)
INE08X507343	Non-convertible debentures	10-Jul-2024	10.75%	16-Jul-2025	10.00	[ICRA]BBB (Negative)
INE08X507335	Non-convertible debentures	10-Jul-2024	10.75%	15-Jul-2025	10.00	[ICRA]BBB (Negative)
INE08X507350	Non-convertible debentures	18-Jul-2024	15.00%	28-Jul-2025	2.50	[ICRA]BBB (Negative)
INE08X507376	Non-convertible debentures	03-Sep-2024	15.00%	06-Oct-2025	1.75	[ICRA]BBB (Negative)
INE08X507368	Non-convertible debentures	03-Sep-2024	15.00%	03-Oct-2025	0.75	[ICRA]BBB (Negative)
INE08X507384	Non-convertible debentures	30-Sep-2024	14.00%	30-Oct-2025	0.5	[ICRA]BBB (Negative)
INE08X507392	Non-convertible debentures	30-Sep-2024	15.00%	30-Mar-2026	1.65	[ICRA]BBB (Negative)
INE08X507400	Non-convertible debentures	24-Oct-2024	14.00%	24-Nov-2025	1.78	[ICRA]BBB (Negative)
INE08X507418	Non-convertible debentures	29-Oct-2024	11.00%	29-Nov-2025	4	[ICRA]BBB (Negative)
INE08X507152	Non-convertible debentures	13- Dec-2022	15.50%	31- Dec-2023	10.00	[ICRA]BBB (Negative); withdrawn
INE08X507202	Non-convertible debentures	23- Jan-2023	14.50%	31- Jan-2024	10.00	[ICRA]BBB (Negative); withdrawn
INE08X507236	Non-convertible debentures	29- Mar-2023	10.00%	29- Apr-2024	20.00	[ICRA]BBB (Negative); withdrawn
NA	Non-convertible debentures*	NA	NA	NA	393.35	[ICRA]BBB (Negative)
NA	Market linked debenture long term*	NA	NA	NA	100.00	PP-MLD[ICRA]BBB (Negative)
NA	Commercial paper*	NA	NA	NA	20.00	[ICRA]A3+
NA	Long-term fund based	NA	NA	NA	400.00	[ICRA]BBB (Negative)

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

Reason for withdrawal updated in last paragraph of rationale section on page 2.

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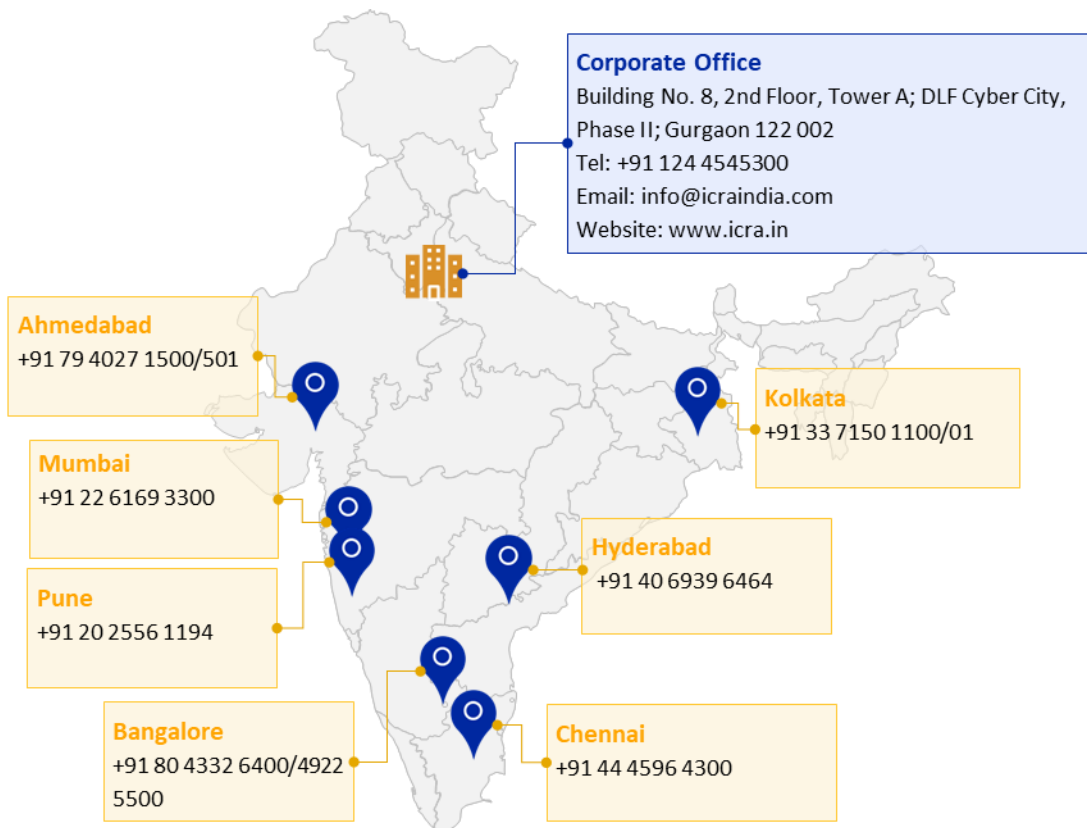
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