



## Press Release

### Bhanix Finance and Investment Limited

June 16, 2022

#### Ratings

Instruments	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Non-Convertible Debentures*	30.00	IVR BBB+; Credit Watch with Developing Implications (IVR Triple B Plus; Credit Watch with Developing Implications)	Assigned	Simple
Proposed Non-Convertible Debentures^	40.00	Provisional IVR BBB+; Credit Watch with Developing Implications (Provisional IVR Triple B Plus; Credit Watch with Developing Implications)	Assigned	Simple
<b>Total</b>	<b>70.00</b> <b>(Rupees Seventy crore only)</b>			

#### Details of instruments are in Annexure 1

\*Backed by a cash collateral in the form of fixed deposit of 40% of outstanding amount exclusively charged and lien marked to the Facility trustee. It also consists of Structured Payment Mechanism under which the company shall make the payments of the amounts due and payable to the Debenture Holders at least 1 (one) Business Days prior the relevant Due Date(s) i.e. on T-1.

^The above structure is to be in place for the proposed NCDs as well. The rating assigned to the proposed NCDs is 'provisional' and not a comment on the achievability of the projections submitted by the company. The rating will be confirmed once the company submits all the documents/ completes all the steps mentioned below to the satisfaction of Infomerics:

- Final term sheet
- Cash collateral in the form of fixed deposit of 40% of outstanding amount exclusively charged and lien marked to the trustee
- Structured Payment Mechanism under which the company shall make the payments of the amounts due and payable to the Debenture Holders at least 1 (one) Business Days prior the relevant Due Date(s) i.e. on T-1
- Debenture Trust Deed
- Copy of the Board Resolution
- Any other documents relevant to the proposed NCDs

<b>Rating in the absence of the pending steps/ documents<sup>1</sup></b>	IVR BBB-; Credit Watch with Developing Implications (IVR Triple B Minus; Credit Watch with Developing Implications)
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<sup>1</sup>As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ MIRSD\_CRADT/ P/ CIR/ 2021/ 554 dated April 27, 2021.



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### **Detailed Rationale**

The rating assigned to the Non-Convertible Debentures of Bhanix Finance and Investment Limited (BFIL) derives strength from the experienced management team, technology-based business model, increase in scale of operations, strong capitalization supported by regular infusion from the parent company and structured payment mechanism with inclusion of FD cover. The ratings are, however, constrained by limited track record of operations, high level of GNPA and moderate collection efficiency.

Ratings have been placed on Credit Watch with Developing Implications on account of the likely impact on the company's NPA levels as a result of the new regulations being applicable to BFIL in view of it becoming Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI). Under the new regulations BFIL will be required to recognize NPAs based on '90+ dpd' from Q4FY22 onwards. Infomerics will be closely monitoring the impact of the same on BFIL's credit profile.

### **Key Rating Sensitivities**

#### **Upward Factor**

- Substantial improvement in AUM while maintaining the debt protection metrics at current level coupled with improving asset quality leading to improvement of GNPA level below 5% on a sustained manner.

#### **Downward Factor**

- Substantial de-growth in AUM and/or decline in debt protection metrics.
- Substantial rise in slippages to NPAs.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced management team**

The group is spearheaded by Mr. V. Raman Kumar, who is a prominent serial tech entrepreneur and private equity investor. He is the founder and former chairman and CEO of NASDAQ listed M\*Modal Inc, a leading voice recognition, healthcare document technology firm that he took from a start-up to until it was sold to One Equity Partners for over a billion



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dollars in 2012. Since then, he has actively invested in several ventures across India, Middle East and USA. In 2012, he founded Aeries Technology Group. Mr. Joginder Rana is the Vice-Chairman and Managing Director of Aeries Financial Technologies Private Limited. He has over three decades of global and domestic experience in the banking & ITES industry. Operations of BFIL are managed by a team of professionals. Mr. Dhruv Jain, Chief Executive Officer, has around three decades of experience in all facets of corporate finance working with large domestic and multinational conglomerates. He is a Fellow Chartered Accountant and licentiate Company Secretary. Mr. Talib Lokhandwala, Chief Financial Officer, has financial leadership experience of over two decades. He has worked with leading banking and financial services companies. He is a Chartered Accountant and Certified Public Accountant (USA). Mr. Yashoraj Tyagi, Chief Technology Officer and Chief Business Officer, is a UC Berkeley and BITS Pilani alumni is involved in building core technology for the company. He has a background in behavioral finance and AI research. Ms. Pushpinder Kaur, Head of Underwriting, has around a decade of experience in banking and finance.

### **Technology-based business model**

BFIL provides short-term unsecured personal loans through its technology platform, CASHe. CASHe uses technology combined with data analytics and proprietary algorithms to map young professionals based on Social Loan Quotient - their mobile, digital footprint and their social behavioral patterns to assess their credit worthiness. All loans are disbursed through CASHe application which are underwritten by BFIL. BFIL does not have any branches. It's entirely digital lending process with credit risk underwriting being digitally performed and asset quality metrics being monitored by the algorithms provides the company with the ability to grow its loan book at a faster rate. Further, use of technology gives an advantage to BFIL over the traditional lenders in terms of loan processing time.

### **Increase in scale of operations**

The company has demonstrated a healthy growth in the overall scale of operations in the last few years. The Loan book of the company has increased to Rs.657 crore as on March 31, 2022 (unaudited) from Rs.324.55 crore as on March 31, 2021. The loan book was Rs.238.55 crore as on March 31, 2020 and Rs.149.56 crore as on March 31, 2019. The company has made a record disbursement of around Rs.1460 crore (apart from managed book) in FY22



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(unaudited) as against Rs.579.30 crore in FY21 (FY20: Rs.849 crore). Out of this, Rs.508.50 crore (excluding managed book) was disbursed in Q4FY22. The total operating income grew to Rs.97.50 crore in FY21 from Rs.46.77 crore in FY19 led by the growth in total AUM. The total operating income of the company stood at Rs.152.40 crore in 9MFY22 (unaudited).

### **Strong capitalization supported by regular infusion from the parent company**

The company has been able to mobilize equity funds due to which the capitalization level is comfortable although the loan portfolio has been growing steadily at higher rate. The Tangible Net Worth of the company as on March 31, 2021 was Rs.126.17 crore as against Rs.118.49 crore as on March 31, 2020. During FY22, the promoters have infused CCDs to the tune of Rs.42.00 crore and Rs. 100.00 crore in BFIL in the months of October and December 2021 respectively and converted the entire amount of Rs.142.00 crore into equity capital in the month of March 2022. Overall Capital adequacy ratio (CAR) of the company stood comfortable at 33.65% with Tier I CAR at 33.44% as on March 31, 2021. The overall CAR has further improved to 50.48% as on December 31, 2021, due to infusion of funds in FY22.

### **Structured Payment Mechanism with inclusion of FD cover**

Under the structured payment mechanism for the NCDs being rated, an amount equivalent to 40% of the principal outstanding shall be maintained in form of fixed deposit. The FD assets is lien marked in favour of the Debenture Trustee. If Fixed Deposit is utilized to make any payments to Debenture holders, then Issuer shall, within 3 Business days, replenish it to 40% of Outstanding Amount as on that date. Further, the company shall make the payments of the amounts due and payable to the Debenture Holders at least 1 (one) Business Days prior the relevant Due Date(s) i.e. T-1.

### **Key Rating Weaknesses**

#### **Limited track record of operations**

The company commenced its operations in the year 2017 and substantially scaled up its portfolio in fiscal 2020, 2021 and 2022. While the company is one of the early entrants in this space of digital platform. The ability to significantly scale up the portfolio while managing credit costs and operating expenses will be a key monitorable.



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### **High level of GNPA's**

The GNPA stood at 7.16% as on March 31, 2021 as against 7.77% as on March 31, 2020 and at 4.69% as on March 31, 2019. The GNPA increased marginally to 7.49% as on December 31, 2021 (unaudited). The rise in delinquencies in FY20 and FY21 was driven by industry environment and Covid-19 pandemic. Also, the entire lending is unsecured. BFIL has a policy of NPA recognition based on '120+ dpd' with 100% provision coverage ratio leading to nil NNPA. However, with the company becoming NBFC-ND-SI from Q4FY22 onwards, it will be required to recognize NPAs based on '90+ dpd' from Q4FY22 onwards which will be a key credit monitorable.

### **Moderate collection efficiency**

The collection efficiency has remained moderate around 80% during the 12 months ended January 2022. However, BFIL has a set process for undertaking collections aided by technology. There is an inhouse monitoring team for the loan management and collections comprising of 150 people. The 'Receivables Team' engages with the customers 2 days before due date. The 'Overdue Team' manages the collection of loans having overdue between 0 to 30 days. The 'Overdue Intense Team' manages the collection of loans having overdue between 30 to 120 days. Loans having overdue for more than 120 days are managed through third party collection agencies.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Financial Institutions, Non-Banking Finance Companies \(NBFCs\) & Housing Finance Companies \(HFCs\).](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

### **Liquidity: Adequate**

The liquidity profile of the company remains adequate with positive cumulative mismatches across buckets as per ALM statement as on December 31, 2021, due to favorable asset



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maturity profile. The company's liquidity is supported by cash and cash equivalent of Rs.39.48 crore as on March 31, 2021.

### About the Company

Incorporated in 1996, BFIL is registered as a Non-Banking Finance Company (NBFC) with the Reserve Bank of India (RBI). It was acquired by Aeries Financial Technologies Private Limited (AFTPL) in 2017 and is currently its wholly owned subsidiary. AFTPL is a subsidiary of TSLC Pte Ltd. (TSLC), a Singapore based company, operating in financial technology space.

BFIL provides short-term unsecured personal loans through its technology platform, CASHe. TSLC owns all the intellectual property rights developed by CASHe and has the worldwide rights of the application outside India for its lending and money transfer platform. TSLC has licensed CASHe mobile application to AFTPL for perpetual and exclusive use in India. In turn, AFTPL has sublicensed CASHe mobile application to BFIL. BFIL has to pay 5% of the revenue or 0.5% of the disbursement, whichever is higher, as license fee to AFTPL. The license is irrevocable, exclusive, non-transferrable and perpetual in nature.

CASHe uses technology combined with data analytics and proprietary algorithms to map young professionals based on Social Loan Quotient - their mobile, digital footprint and their social behavioural patterns to assess their credit worthiness. All loans are disbursed through CASHe application which are underwritten by BFIL. The lending model is entirely digital and BFIL has no branches.

### Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	122.67	97.50
Interest	23.98	16.63
PAT	9.49	8.99
Total Debt	130.68	213.91
Tangible Net Worth	118.49	126.17
Total Loan Assets	238.55	324.55
<b>Ratios</b>		
PAT Margin (%)	8.01	9.23
Overall Gearing Ratio (x)	1.10	1.70
GNPA (%)	7.77%	7.16%
NNPA (%)	0.00%	0.00%



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For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
CAR (%)	43.86%	33.65%

\*As per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Non-Convertible Debentures	Long Term	30.00	IVR BBB+; Credit Watch with Developing Implications	-	-	-
2	Proposed Non-Convertible Debentures	Long Term	40.00	Provisional IVR BBB+; Credit Watch with Developing Implications	-	-	-

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Instruments:

Name of Facility	ISIN No.	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	INE08X507053	March 4, 2022	13.5%	September 4, 2023	30.00	IVR BBB+; Credit Watch with Developing Implications
Proposed Non-Convertible Debentures	-	-	-	-	40.00	Provisional IVR BBB+; Credit Watch with Developing Implications

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:** Not Applicable





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### **Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**

#### **1. NCDs of Rs.30.00 crore:**

- I. Capital adequacy ratio above 25% as of the last Business Day for each quarter during Facility Tenor.
- II. Gross Non-performing Assets (GNPA) below 10% of closing Gross AUM as of the last Business Day for each month during Facility Tenor. For avoidance of any doubt, GNPA is defined as all loans with dues of 90+ days as reported by BFIL.
- III. Net Non-performing Assets (NNPA) below 2% of closing Net AUM as of the last Business Day for each month during Facility Tenor. For avoidance of any doubt, NNPA is defined as GNPA net of provisions.

- 2. Proposed NCDs of Rs.40 crore:** Not Applicable as the NCDs have not been placed.

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).