

January 18, 2022

BSE Limited
General Manager
Department of Corporate Services
Bombay Stock Exchange Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

Scrip Code: 959488, 959645, 959813, 959841, 959884, 960085, 960488, 973080, 973281,
973375 & 973644

Sub: Intimation of credit rating pursuant to Regulation 51(2) of SEBI (Listing Obligations and
Disclosure Requirements) Regulations, 2015

Dear Sir,

Pursuant to Regulation 51(2) read along with Part B of Schedule III of SEBI (Listing Obligations and
Disclosure Requirements) Regulations, 2015, this is to inform you that we have been assigned a
credit rating of CARE A1+ (A One Plus) from Care Ratings Limited in respect of commercial papers.

We enclose herewith a copy of the Credit Rating Letter and Rating Rationale issued by Care Ratings
Limited.

We request you to kindly take the above on record and acknowledge receipt.

Thanking You,

Yours faithfully,
For Avendus Finance Pvt. Ltd.

Rajendra Rana
Authorised Signatory

Shri Saket Pachisia
Vice President

Aventus Finance Private Limited
IL&FS Financial Centre, C&D Quadrant,
6th floor, Bandra Kurla Complex,
Mumbai, Maharashtra 400051

January 14, 2022

Confidential

Dear Sir,

Credit rating for proposed Commercial Paper (CP) issue of Rs.100.00 crore¹

Please refer to your request for rating of proposed CP issue of your company, for a limit of Rs.100.00 crore with a maturity not exceeding one year.

2. The following rating(s) has been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating ²	Rating Action
Commercial Paper	100.00	CARE A1+ (A One Plus)	Assigned
Total Instruments	100.00 (Rs. One Hundred Crore Only)		

- Please arrange to get the rating revalidated in case the proposed CP issue is not made within **two months** from the date of our initial communication of rating to you i.e. by March 14, 2022. Once the CP is placed, the rating is valid for the tenure of such instrument till redemption.
- In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.
- Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr.)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Trustee/IPA	Details of top 10 investors
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- The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press by the end of the day, a draft of which is enclosed for your perusal as **Annexure**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by the end of the day, we will proceed on the basis that you have no any comments to offer.

¹This represents the aggregate of all CP issuances of the company outstanding at any point in time.

² Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

CARE Ratings Limited

7. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
8. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the debt instruments, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such instruments. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
11. CARE Ratings Ltd. ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE Ratings Ltd.

Thanking you,

Yours faithfully,



Shreyas Desai
Analyst
shreyas.desai@careedge.in



Archana Mahashur
Associate Director
archana.mahashur@careedge.in

Encl.: As above

CARE Ratings Limited

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CIN-L67190MH1993PLC071691

Disclaimer

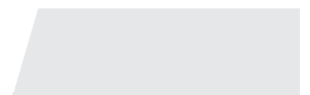
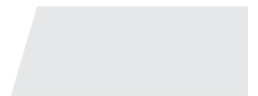
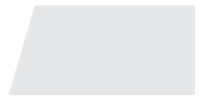
The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Limited

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Annexure
Avendus Finance Private Limited

January 14, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ³	Rating Action
Commercial Paper	100.00	CARE A1+ (A One Plus)	Assigned
Total Short-Term Instruments	100.00 (Rs. One Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Limited has assigned 'CARE A1+' rating to the commercial paper of Avendus Finance Private Limited (AFPL). The rating derives strength from strong promoter experience in investment banking space across diverse sectors, AFPL's strategic importance to ACPL, comfortable capitalization and adequate liquidity profile. Further, the rating also factors in the promoters' ability to raise equity capital from marquee investors.

The above rating strengths are partially offset by AFPL's limited track record of lending operations in inherently riskier asset class of structured lending, however at the same time there is a reasonable churn of book as reflected by high collection history. The rating also takes note that while the gross non-performing assets (GNPAs) were nil as on September 30, 2021, some of the borrowers are facing challenges given the disruptions due to the prevailing pandemic.

AFPL's ability to profitably navigate its growth path, while maintaining asset quality at low levels amidst the current scenario of slight stress building and its continued strategic importance to Avendus Group shall remain to be important credit monitorables.

Rating Sensitivities

Positive rating sensitivities (Factors that could individually or collectively result in positive rating action): Not applicable since rating is CARE A1+

Negative rating sensitivities (Factors that could individually or collectively result in negative rating action)

- Deterioration in the asset quality with GNPA > 3%, on a sustained basis
- Significant increase in leverage levels
- Dilution in AFPL's strategic importance to Avendus Group

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of the Promoters across industry sectors and mid-market corporates:

AFPL is a Wholly Owned Subsidiary (WOS) of Avendus Capital Pvt. Ltd (ACPL), which is promoted by Mr. Ranu Vohra, Mr. Kaushal Aggarwal and Mr. Gaurav Deepak. The Promoters have strong experience in investment banking domain across diversified sectors such as technology, consumer goods, healthcare, digital, and business process outsourcing, over two decades. ACPL has been able to establish strong relationships with many corporates in mid-market corporates space. AFPL's strategy is to leverage ACPL's existing relationships in IB business to provide broader suite of structured financing products in the mid-corporate space.

AFPL, being the sole lending entity in the group, remains strategically important to ACPL

AFPL is the Avendus group's sole lending entity, which provides bespoke credit solutions to mid-market corporates. Further, AFPL is a strategically important part of the Avendus group providing a wide range of services to its existing as well as prospective clients, ranging from Investment Banking Services, Wealth Management, Asset Management and Credit solutions which is specifically channeled through AFPL. Furthermore, AFPL enjoys the support from the group in the form of board level

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

representation, shared brand name, and integrated business platform, thereby making AFPL a strategically important entity to the entire gamut of the group's eco system.

Comfortable capitalization profile along with demonstrated capital raising ability from reputed PE investors:

AFPL's Tangible Network⁴ stood at ~Rs.699 crores as on September 30, 2021, with total CAR of 50.94%, based on unaudited financial statement. Most of the other business such as Wealth Management, Asset Management being fee based, Group's majority of the capital deployment is in AFPL only. The Promoters have also demonstrated ability to raise equity capital from marquee investors such as Kohlberg Kravis Roberts (KKR) (Fitch A; Stable/ S&P BBB/ Stable), which holds 64.34% stake in the parent Avendus Capital Private Limited (ACPL). Furthermore, KKR has board level representation in the group. Avendus also benefits from KKR's ecosystem of relationships, oversight, expertise across various sectors, and capital support, if required.

Conservative gearing policy and strong liquidity:

CARE believes that the current level of capitalization should enable the group funding its medium-term growth targets. Gearing (defined by Debt over tangible net worth) stood at 1.20 times as on September 30, 2021. Further, AFPL has a well-managed ALM with no negative cumulative mismatch witnessed in any of time bucket as on September 30, 2021. This is majorly on account of high amount of liquidity available, in the form of cash and investments, combined with lower borrowings.

Key Weaknesses

Limited track record in lending operations:

AFPL started lending operations since FY 2017. Thus, while IB is ACPL's forte for decades, AFPL's lending business is relatively new with limited track record. However, this weakness is partially offset by historically seen repayment period of 2-3 years against the average tenure of 4-5 years, as the pre-payments take place either through the internal cash flows, or through equity events or refinance. Since inception, AFPL has cumulatively disbursed loans to the tune of ~Rs.3,240 crores and received prepayments of around ~Rs.1,380 crores as on September 30, 2021. CARE believes that, although this partially offsets the weakness of limited seasoning, performance on growth, profitability and asset quality remain monitorable in near term.

Asset quality remains to be monitored with growth, considering operations in inherently riskier asset class of structured financing and promoter funding:

AFPL operates in an inherently riskier asset class, which is structured finance lending to mid-market corporate entities. Also, majority of the borrowers are unlisted entities. The mid-corporate borrower segment is idiosyncratically more susceptible to economic cycles and hence carries a higher credit risk.

To mitigate this risk, AFPL adopts a highly selective and conservative underwriting policy. It also leverages on Avendus group's advisory / corporate finance expertise to understand investment thesis of the client's business, which helps in further fine tuning the financing structure. Further, CARE understands that significant proportion of the portfolio would have security cover of 2 - 3 times.

While the gross non-performing assets (GNPAs) were nil as on September 30, 2021, some of the borrowers are facing challenges given the disruptions due to the prevailing pandemic. AFPL has restructured four of its borrowers (out of which 2 loans were FVTPL and 2 loans were at amortised cost) with an outstanding amount of Rs ~195 crore under RBI's one-time restructuring 1.0 and 2.0 scheme. For FVTPL category, the loans have been valued at ~85% and for amortised loans, ECL have been provided at ~28% (as per IND AS) as against prudential floor of 10% prescribed by the RBI. As such, the ability to manage asset quality and maintain healthy collections, especially during the current weak environment, and profitably scale up the business, will remain key rating monitorable.

⁴ *Tangible Network = Network adjusted for Deferred Tax assets and Intangible assets*

High concentration risk with Top 10 borrowers constituting around 50% of AUM:

AFPL's borrowers base is highly concentrated with top 10 clients constituting around 51% of the AUM and 90% of net worth as on March 31, 2021. Hence, as the company executes its growth strategy and portfolio becomes seasoned, the granularization of the portfolio will also be a key monitorable.

High dependence of group's business on capital market, along with susceptibility to the cyclicity in the economy:

The group's revenue is derived from businesses like Investment Banking, Wealth Management and Asset Management. While the group has been able to report steady performance in IB due to the advisory fees-based business model and strong relationship with clients, the Wealth Management (WM) and Asset Management (AM) businesses are relatively nascent and in building phase.

Moderate group profitability primarily dependent upon IB business, with AFPL's profitability remaining anchored on evolving asset quality performance

The group's net profit increased from Rs.12 crore in FY20 to Rs.80 crore in FY21, primarily due to increase income in IB business. The group has been working towards increasing the share of its lending business over the past few years. AFPL's share of revenue in the consolidated revenue has been increasing steadily from ~8% in FY17 to ~24% for March 31, 2021.

At AFPL level, PAT declined for FY21 majorly on account of incremental provisioning made towards the restructured assets under the OTR scheme granted by RBI. Decline in NIM is on account of conscious decision to maintain higher treasury surplus on Balance sheet through the year to managing any contingencies arising from pandemic resulting in a negative carry and also growth in lending for wealth customers which has lower spreads compared to the structured finance business. This subsequently led to a decline in ROTA to 1.48% in FY21 as compared to 3.28% in FY20.

Although AFPL's increasing share in the ACPLs revenue is expected to partially offset the volatility in the income related to capital market based businesses, profitability at AFPL and the group level remains to be a key credit sensitivity.

Liquidity: Adequate

AFPL has a well managed ALM with no negative cumulative mismatch witnessed in any of time bucket as on December 31, 2021. This is majorly on account of high amount of liquidity available, in the form of cash and investments, combined with lower borrowings. For the next 1 year, AFPL has cash inflows arising out of the loan repayments to the tune of ~Rs.553 crore and cash and cash equivalents of ~Rs.190 crore against Debt repayment of ~Rs.280 crore. Thus, AFPL has adequate resources to service its debt obligations in the short term.

Analytical approach: CARE has analyzed the combined risk profile of Avendus Capital Pvt. Ltd. and its subsidiaries at the group level, in view of shared brand name, resources, promoters and management for arriving at the rating of AFPL.

Applicable criteria:

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology- Non-Banking Finance Companies](#)

[Financial ratios - Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the Company:

Avendus 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) (CRISIL A+/Stable). With a focus on creating products specifically for high quality mid-market businesses, ACPL initially started with investment banking and further expanded its presence, over the years, into wealth management, Credit Solutions and Asset management to serve as an integrated solution platform. Avendus group has a well spread presence across eleven cities in India and has offices in London, Singapore & New York. The promoters have expertise in several sectors such as technology, consumer goods, healthcare, digital, and business process outsourcing and have successfully executed several IB transactions for over two decades. Over the years, the group has developed strong relationships with several corporates in the mid-market space.

Avendus Finance Pvt. Ltd.

AFPL was originally incorporated on May 15, 1996 as Pacific Hire-Purchase Private Limited. The name of the Issuer was changed to Pacific Hire-Purchase Limited on November 21, 1997. Pursuant to acquisition by Avendus Capital Private Limited, the Issuer's name was changed to Avendus Finance Private Limited (AFPL) with effect from September 18, 2014. AFPL is a Wholly Owned Subsidiary (WOS) of Avendus Capital Pvt. Ltd. and is a systemically important Non deposit taking Non-Banking Financial Company (NBFC-ND-SI) registered with the RBI. The company's business was set up in FY17. AFPL offers customized debt solutions such as promoter funding, corporate finance, structured debt solutions and acquisition finance to mid-market segment.

Brief Financials (Rs. crore)	31-03-2020	31-03-2021	30-09-2021
	12M, A	12M, A	6M, UA
Total operating income	169	168	94
PAT	42	20	24
Interest coverage (times)	1.95	1.41	1.82
Total Assets*	1,279	1,441	1,547
Net NPA (%)	Nil	Nil	Nil
ROTA (%)^	3.28	1.48	3.18 [!]

A: Audited; UA: Unaudited

* Total assets adjusted for Deferred Tax assets and Intangible assets

^ ROTA = Profit after tax / tangible average total assets (Total assets adjusted for Deferred Tax assets and Intangible assets)

! Annualized

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Not Applicable

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		-	-	-	100.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+				

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure 5: Bank Lender Details for this Company

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

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

Contact us

Contact us

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About CARE Ratings:

About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**