

**Annexure - I**

**Rationale**

**Auxilo Finserve Private Limited**

**Ratings**

<b>Instrument / Facilities</b>	<b>Amount (Rs. Crore)</b>	<b>Rating<sup>[1]</sup></b>	<b>Rating Action</b>
Non-Convertible Debentures	125	<b>CARE A-; Stable (Single A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Market linked Debentures	22	<b>CARE PP MLD A-; Stable (Principal Protected Market Linked Debentures Single A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Long term bank facilities	400	<b>CARE A-; Stable (Single A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>547 (Rs. Five hundred and forty seven crore only)</b>		

**Details of instrument / facilities in Annexure-1**

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the debt instruments and bank facilities of Auxilo Finserve Private Limited (Auxilo) draw strength from strong & resourceful shareholders and their financial commitment to infuse capital as per business needs. The rating further draws strength from the management team's experience in the education loan business, strong systems and prudent lending norms and innovative marketing strategies to create presence in the education loan segment. The rating factors in adequate capitalization and low leverage post significant equity capital infusion during FY20 (refers to period from April 01 to March 31) and comfortable liquidity profile considering available high liquidity and low amount of debt in spite of majority of the loan portfolio being under principal moratorium.

The rating is constrained by Auxilo's exposure to single asset class, limited track record, small scale of operations and moderate but improving profitability. The rating is also constrained by limited seasoning of the loan book given FY19 being a first full year of operation and longer tenure assets of the company; therefore the repayment track record of loan book is yet to be established.

The lockdown imposed in most parts of the country due to Covid-19 pandemic had impact on collections and disbursement of NBFCs. In light of lockdown, Auxilo's overall collection efficiency improved from around 46% in May, 2020 (due to moratorium scheme offered by RBI from March 01, 2020 to August 31, 2020 to provide relief against covid-induced financial crisis) to 98% in November, 2020. At the start of lockdown, overall collections of Auxilo were impacted due to higher proportion of borrowers from education institutions segment had opted for moratorium. However, post the moratorium was over, collections from education institutions segment also improved.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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Auxilo also has lent to education institutions which constitutes around 31% of loan book as March 31, 2020 and operations of education institutions have been significantly impacted during the lockdown period.

The performance of education institution loan segment will highly depend upon return to normalcy, i.e. reopening of educational institutions. Any delay in return to normalcy and/or any change in behaviour of borrowers with regards to payment discipline can affect the asset quality and profitability of company in near future.

#### **Rating Sensitivities**

##### **Positive Factors: Factors that could lead to positive rating action/upgrade:**

- Increase in seasoning of the loan book
- Substantial growth in size of operations while maintaining asset quality
- Improvement in profitability with Return on Net worth remaining higher than 10% for sustained period

##### **Negative Factors: Factors that could lead to negative rating action/downgrade:**

- Major dilution in the shareholding by promoters
- Weakening of the credit profile of the promoter entities
- Material deterioration in asset quality with Gross NPA exceeding 3%
- Deterioration in profitability

#### **Detailed description of the key rating drivers**

##### **Strong parentage and committed financial support**

The company is promoted by Mr. Akash Bhanshali and co-invested by Balrampur Chini Mills Limited (BCML). Mr. Bhanshali through his family LLP (ELME Advisors LLP) owns 45.05% shareholding in Auxilo and BCML own 45.05% shareholding in the company.

Since its inception in 2017, both the shareholders have done total equity infusion of Rs.315 crore, out of which infusion of around Rs.165 crore was done in FY20 alone. As per initial plan, company was supposed to receive equity infusion of around Rs.350 crores by FY22, however promoters have already infused around Rs.315 crore till FY20 and additional amount of Rs.51 crore was infused by ICICI Bank during FY20.

Mr. Bhanshali who has a Master's degree in Commerce and is a qualified Chartered Accountant leads the principal investments unit of Enam Holdings Private Limited. He has invested across numerous industries which have seen a turnaround in their businesses. Apart from pure investing, he has spent time building a breadth of industry relationships over the years, with especially deep relationships within his investee companies.

BCML incorporated in 1975 is one of the largest integrated sugar manufacturing companies in India and is a listed entity. During FY20, BCML reported Profit After Tax (PAT) of Rs.509 crore on the total revenue of Rs.4,780 crore. BCML's financial profile is characterized by healthy operating performance, low debt levels and healthy liquidity levels.

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During FY20, Mr. Bhanshali and BCML diluted their shareholding by 4.95% each and ICICI Bank Limited (rated CARE AAA; Stable / CARE A1+) which is amongst the largest private sector banks in India in terms of assets size and is designated as one of the Domestic Systemically Important Bank (D-SIB) in the country has acquired 9.90% shareholding in the company by infusing Rs.51.09 crore of equity. As a result of periodic equity infusion, the tangible net worth of the company stood at Rs.361 crore as on March 31, 2020 (As on March 31, 2019: Rs.136 crore).

Details of capital infusion since inception are given below:

Year of Infusion	Amount Infused (Rs. Cr)	Investor(s)
FY20	82.50	Elme Advisors LLP
	82.50	Balrampur Chini Mills Ltd
	51.09	ICICI Bank Ltd
FY19	37.13	Elme Advisors LLP
	0.38	Mr. Akash Bhanshali
	37.50	Balrampur Chini Mills Ltd
FY18	35.15	Elme Advisors LLP
	0.36	Mr. Akash Bhanshali
	37.50	Balrampur Chini Mills Ltd
FY17	1.98	Elme Advisors LLP
	0.02	Mr. Akash Bhanshali
<b>Total</b>	<b>366.11</b>	

#### Experienced management team

The operations of Auxilo are headed by Mr. Neeraj Saxena (MD & CEO) who has more than 20 years of experience in the Indian Retail and Financial Services industry. Prior to taking up this responsibility he was instrumental in setting up and leading Avanse Financial Services Ltd, an NBFC in the education finance space and established it as a dominant player in a short span of 4 years. He was previously associated with DHFL, Tata Retail Enterprise (Trent), Piramal Retail, Wadhawan Retail and Ernst & Young. Auxilo's board comprises of 7 directors, out of which Mr. Akash Bhanshali is the promoter director, indicating managerial support extended by the promoter.

The Credit function is headed by Mrs. Namita Raja having an overall experience of more than 20 years in the domain of Credit, Operations & Legal. She was previously associated with Avanse, Edelweiss, HSBC and ICICI Bank. The Marketing and Sales is headed by Mr. Benoy Joseph and Manoj Shetty respectively. Both have more than 15 years of work experience in the financial services space.

#### Strong systems and prudent lending norms

The company has a robust system for loan sanctioning which is mapped through a software right from login of the file to the final disbursement. During the year, various systems were implemented such as CRM (Customer Relationship Management), LOS (Loan origination system), LMS (Loan Management System), Accounting ERP System.

As on March 31, 2020, the loan portfolio of Auxilo stood at Rs.470.23 crore (AUM of Rs.490 crore). The portfolio is divided into 2 types viz., education loan and education institution loan (loan given to schools/colleges/boardings)

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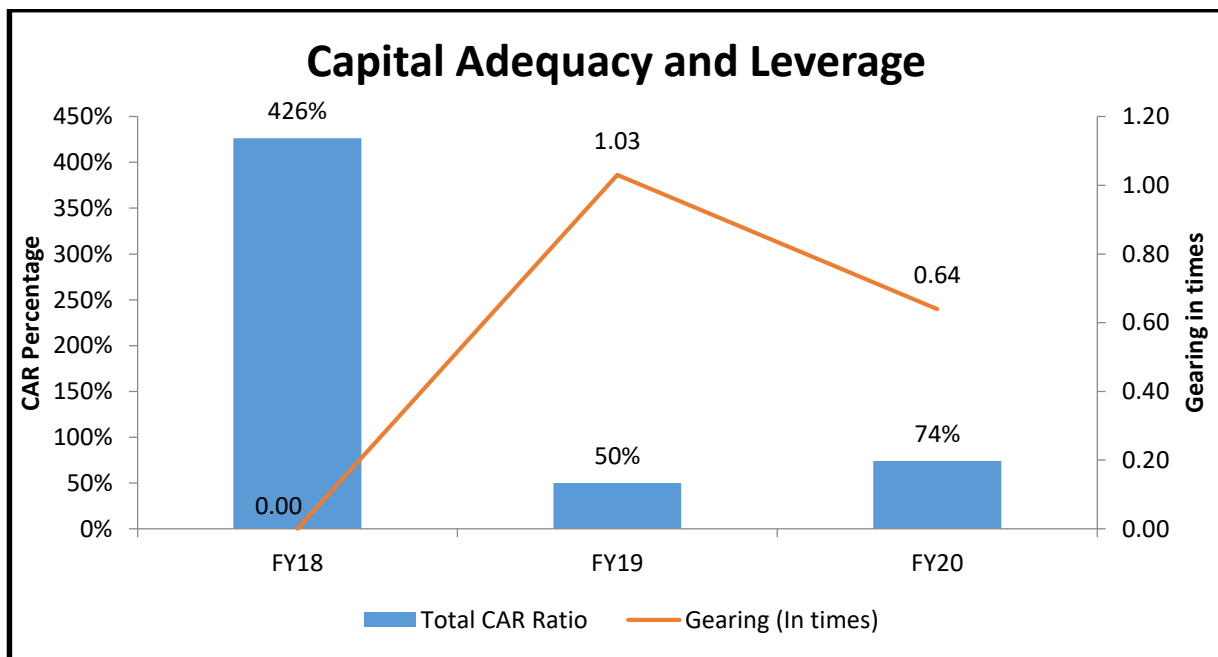
schools). As on March 31, 2020, the proportion of education loan and education institution loan was 69:31. In case of education loan, ~72% co-borrower are salaried population, thus making it relatively less volatile in nature.

The SOP's clearly define the loan to be sanctioned, collateral to be taken, requirement of a co-borrower based on the type of course, past academics, entrance test scores, immigration norms of the country, the cost involved in the course, the internal ranking of the institute, employability, the credit history and income profile of the co-borrower. The average ticket size of education institution loan is around Rs.1 crore. The total outstanding portfolio in this is Rs.153 crore. As on September 30, 2020, Top 10 borrowers constitute 13% of net-worth.

**Adequate capitalization**

Auxilo benefits from financial support from parent and has adequate capitalization for initial stage of operations with net worth of Rs.361 crore as on March 31, 2020. Total CAR and Tier I CAR stood at 73.95% and 73.49% as on March 31, 2020, which is much higher than the minimum regulatory requirement of 15% and 10% respectively. Overall gearing remains low with 0.64 times as on March 31, 2020 because current business operation remains largely equity funded. As on September 30, 2020, capitalization remains adequate with total CAR and overall gearing being at 63.36% and 0.90 times respectively.

Trend in capitalization and leverage is given below:



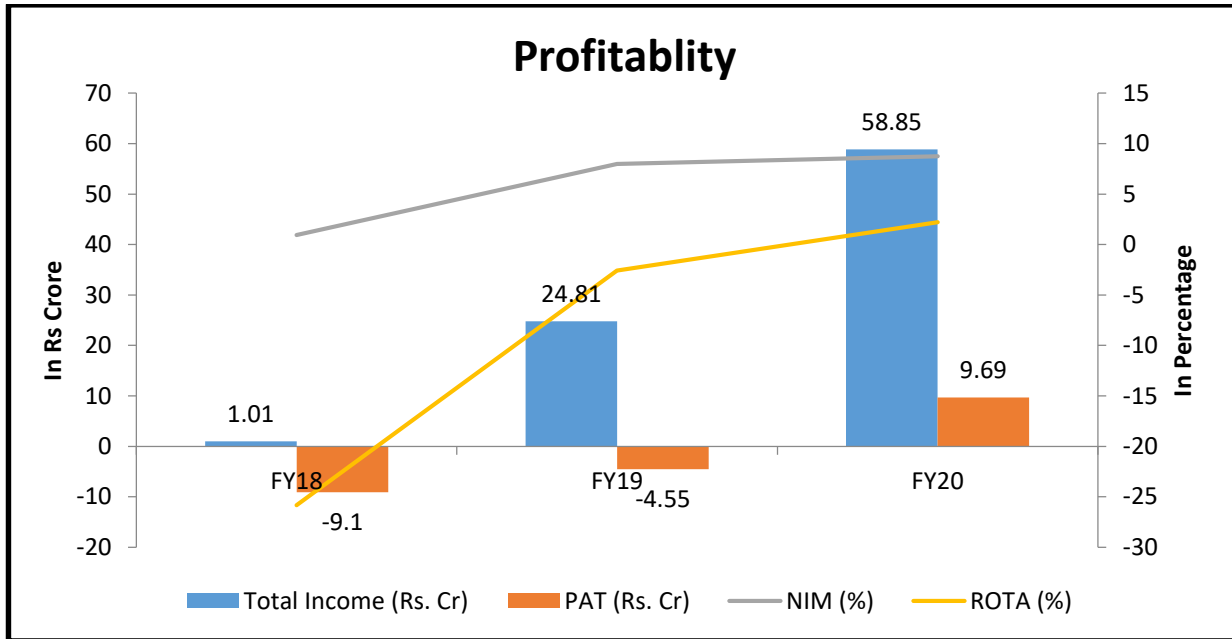
**Moderate but improving profitability**

The company commenced its business operations from October 2017 onwards. FY19 was the first complete year of operations. In FY19, the NIM stood at 7.97% on account of substantial increase in company's loan portfolio. However, the company's ROTA was negative at 2.58% on account of high operating expense ratio of 13.84%. This is primarily on

account of startup expenses in setting up the Company and very moderate lending. Marketing and other administrative expenditure has also substantially increased on account of growth stage of the company. In FY20, the NIM stood at 8.73% on account of substantial increase in company's loan portfolio. NIM is expected to come down as company's gearing levels increases. The company turned profitable this year with PAT of Rs.9.94 crore with ROTA being positive at 2.21%

During H1FY21, company reported PAT of Rs.5.02 crore on the total income of Rs.36.55 crore against PAT of Rs.0.25 crore on the total income of Rs.23.34 crore in H1FY20.

Profitability trend is given below:



**Key rating weakness**

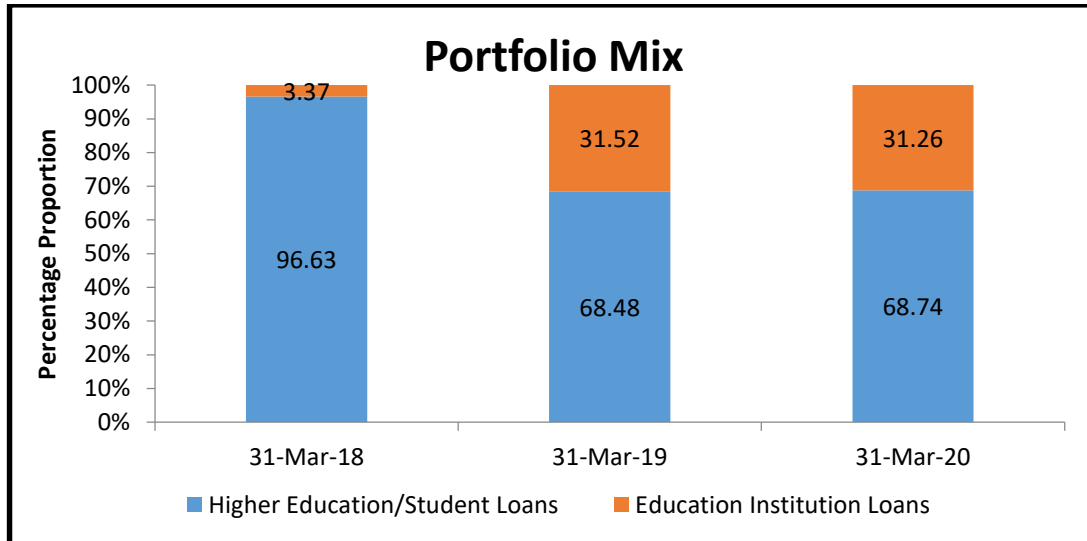
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**Exposure to single asset class**

Auxilo is into a single asset class of educational loans and funding to education institutes. This brings in concentration risk as any fall in demand for educational loan may severely impact the operations and profitability of the company. Although, as of now, the company does not have any delinquencies, but high delinquencies are faced by the Indian banking sector in education loan sector, as a result, Auxilo’s ability to demonstrate adequate and timely resolution performance is a key rating sensitivity. Further, education institution segment (wholesale) is relatively riskier and high yielding portfolio and in long run, company is likely to keep retail/wholesale mix in the ratio of 60:40.

Trend in portfolio mix is given below:



**Unseasoned loan portfolio with nascent stage of operations**

The company has been able to grow its portfolio to Rs.508 crore as on September 30, 2020 (Rs.265 crore as on March 31, 2019) since its inception, however, the portfolio is still unseasoned to a large extent. Around Rs.302 crore of disbursements were done since April 2019 onwards, indicating performance of new disbursements is yet to be tested. Further in terms of repayment method, only 30% of student loan AUM is EMI method and indicating majority of student loan AUM is under partial moratorium. The ability of the company to sustain a steady state asset quality through various cycles remains a key monitorable considering the nascent stage of its operations.

Seasoning trend is given below:

(In Rs Crore)

Product Segment	FY18	FY19	FY20
Disbursement - Higher Education Loan	12.65	173.56	179.10
AUM – Higher Education Loan	12.61	181.52	336.48
<b>Disb./AUM in times (Higher Education Loan)</b>	<b>1.00</b>	<b>0.96</b>	<b>0.53</b>
Disbursement- Education Institution Loan	0.44	86.82	87.87
AUM- Education Institution Loan	0.44	83.55	153.04
<b>Disb./AUM in times (Education Institution Loan)</b>	<b>1.00</b>	<b>1.04</b>	<b>0.57</b>

Disbursement (Overall)	13.09	260.38	266.98
AUM (Overall)	13.05	265.07	489.52
<b>Disb./AUM in times (Overall)</b>	<b>1.00</b>	<b>0.98</b>	<b>0.55</b>

### Liquidity- Adequate

Auxilo has adequate liquidity profile as on September 30, 2020, with positive cumulative mismatches in up to one year time bucket mainly due to healthy cash and liquid investment balance and low gearing levels. The average tenure of the loans is around 8 to 9 years against which the average tenure of the borrowing is much lesser i.e. around 3 to 4 years.

As per the asset liability maturity profile as on September 30, 2020, the company had debt servicing of Rs.71 crore against which it had receivables from loan of Rs.72 crore and cash and liquid investments of Rs.194 crore. As on ALM date September 30, 2020, around 85% of advances inflows are coming from more than one year time bucket due to longer tenure assets.

Auxilo has cash and liquid investment balance of Rs.176 crore as on November 30, 2020, which was sufficient to meet all debt obligations including interest for about one year. The management intends to maintain cash and liquid investments equivalent to three to four months of outflow on an on-going basis.

**Analytical approach:** CARE has analysed the standalone credit profile of Auxilo along with Auxilo's financial and managerial linkages with its promoters.

### Applicable Criteria

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Definition of Default](#)

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

### About the Company

Auxilo Finserve Private Limited is promoted by Mr. Akash Bhanshali and co-invested by Balrampur Chini Mills Limited. Mr Akash Bhanshali through his family LLP own 45.05% and Balrampur Chini Mills own 45.05% of the shares in the Company. On March 26, 2020 ICICI Bank invested Rs.51.09 crore by way of subscription to the preferential allotment constituting 9.9% stake in the company.

It was formed on October 4, 2016 and was earlier known as Stellenyak General Finance Private Limited. It provides education finance to individuals as well as education institutions. The Company commenced its operations in October 2017.

Auxilo provides finance to students across segments, be it Graduate or Post Graduate courses in India or abroad in countries like US, UK, Canada, New Zealand, Germany, Australia and any upcoming student-attractive countries. They also offer refinancing options for students, executive education loans and infrastructure financial models for Schools, Colleges, Institutions, as well as any tertiary industries connected to the cause of education, be it to build, scale up

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capacity or potential service, product or delivery with our focus on uplifting the standards of Indian Education Ecosystem. The Company has set up its Corporate Office in Mumbai. The Company has opened branches in 7 major Locations – Hyderabad, Mumbai Chennai, Delhi, Pune, Bengaluru, and Ahmedabad.

Auxilo is managed by Mr. Neeraj Saxena having over 20 years of experience in the Indian Retail and Financial Services industry. Prior to taking up this responsibility he was instrumental in setting up and leading Avanse Financial Services Ltd, an NBFC operating in the education finance space.

**Covenants of Rated Instrument:** Detailed explanation of covenants of the rated instrument is given in **Annexure-3**

**Financial Performance – Auxilo Finserve Private Limited (Standalone)**  
**(Rs. Crore)**

Year ended / As on	31-03-2018	31-03-2019	31-03-2020
	12m, A	12m, A	12m, A
<b>Particulars</b>			
Interest Income (Including processing fees)	0.34	18.02	56.33
Other Income	0.68	6.79	2.52
Total Income	1.02	24.81	58.85
Interest expended	0.00	3.99	17.21
Operating Expenses	10.06	24.36	30.90
Provisions	0.05	1.01	1.08
PBT	-9.09	-4.55	9.90
PAT	-9.10	-4.55	9.94
Tangible Net worth	65.81	136.14	360.62
Total Borrowings	0.00	140.00	232.02
Loans outstanding (Balance sheet)	13.05	265.07	467.49
Total Assets	68.46	283.89	614.40
<b>Key Ratios %</b>			
NIM (%)	0.96	7.96	8.71
Other Income / Avg Total Assets (%)	1.95	3.86	0.56
Opex/Avg Total Assets (%)	28.54	13.83	6.82
Credit Cost/Avg Total Assets (%)	0.15	0.58	0.24
ROTA (%)	-25.82	-2.59	2.21
RONW (%)	-26.84	-4.51	4.00
Overall Debt/ Equity ratio (times)	0.00	1.03	0.64
Capital Adequacy Ratio (CAR) (%)	426.40	50.00	73.95
Tier I CAR (%)	426.01	49.60	73.49
Gross NPA (%)	0.00	0.00	0.00
Net NPA (%)	0.00	0.00	0.00
Net NPA to Net worth (%)	0.00	0.00	0.00

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A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Annexure-1: Details of Instruments/Facilities**

ISIN	Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
INE605Y07015	NCD	01-Jun-20	11.00%	01-Jun-23	10	CARE A-; Stable
INE605Y07023	NCD	23-Jun-20	10.25%	23-Jun-23	25	CARE A-; Stable
INE605Y07031	NCD	26-Jun-20	10.85%	26-Jun-23	35	CARE A-; Stable
INE605Y07049	NCD	30-Jul-20	11.00%	30-Jul-23	25	CARE A-; Stable
-	NCD (Proposed)	-	-	-	30	CARE A-; Stable
INE605Y07056	MLD	16-Sep-20	NA	16-Nov-21	7	CARE PP-MLD A-; Stable
INE605Y07064	MLD	16-Sep-20	NA	16-Sep-22	7	CARE PP-MLD A-; Stable
INE605Y07072	MLD	16-Sep-20	NA	16-Sep-23	8	CARE PP-MLD A-; Stable
-	Long term bank facilities	-	-	Upto 7 Years	400	CARE A-; Stable

**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 2020-2021	& Date(s) Rating(s) inassigned 2019-2020	& Date(s) Rating(s) inassigned 2018-2019	& Date(s) Rating(s) inassigned in 2017-2018	&
1)	Long term bank facilities	LT	400.00	CARE A-; Stable		1) CARE A-; Stable (20-Aug-19) 2) CARE A-; Stable (23-Dec-19) 3) CARE A-; Stable (11-Feb-20)	1) CARE A-; Stable (23-May-19)	-	
2)	Non-Convertible Debentures	LT	75.00	CARE A-; Stable	A1) CARE A-; Stable (14-Sep-20)	1) CARE A-; Stable (11-Feb-20)			
3)	Non-Convertible Debentures	LT	50.00	CARE A-; Stable	A1) CARE A-; Stable (14-Sep-20) 2) CARE A-; Stable				

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					(30-Jun-20)			
4)	Market linkedLT Debentures		22.00	CARE P1) MLD AMLD Stable Stable	(14-Sep-20)			

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Long Term Bank Facilities	Simple
2.	Non-Convertible Debentures	Simple
3.	Market linked Debentures	Highly Complex

**Annexure 4: Details of Rated Facilities**

**1. Long-term Facilities**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Bank of Baroda	73.33
2.	ICICI Bank Ltd.	59.38
3.	CSB Bank Ltd.	20.00
4.	Proposed	247.29
	<b>Total</b>	<b>400.00</b>

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**(This follows our brief rationale for the entity published on January 6, 2020)**

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### Disclaimer

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*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.*

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