

February 10, 2020

Dear Sir,

Rating of Long Term Bank facilities and NCDs

Please refer to our letters dated February 07, 2020 on the above subject.

2. A write-up (brief rationale) on the above ratings is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - I**.
3. 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.

If you have any further clarifications, you are welcome too approach us.

Thanking you,


Yours faithfully,



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Encl: As above

Annexure I
Press Release
Auxilo Finserve Private Limited

Ratings

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long term Bank Facilities	400 (reduced from 500) (Rs. Four Hundred crore only)	CARE A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed
Proposed Non-Convertible Debentures	100 (Rs. One Hundred crore only)	CARE A-; Stable [Single A Minus; Outlook: Stable]	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating draws strength from strong & resourceful shareholders of Auxilo Finserve Private Limited (Auxilo) and their financial commitment to infuse capital based on the business growth. 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, however, is constrained by Auxilo's moderate profitability, exposure to single asset class and funding to education institutes, limited track record, small scale of operations and low seasoning of portfolio. Continued commitment from the shareholders, and growth in business while maintaining asset quality and profitability, act as the key rating sensitivities.

Rating sensitivities

Positive Factors

- Continued support in the form of equity infusion from parent
- Sustained growth while maintaining asset quality

Negative Factors

- Major dilution in the shareholding by promoters
- Weakening of the parent's credit profile
- Material deterioration in asset quality ie if GNPA exceeds 1%
- Deterioration in profitability

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage and committed financial support

The company is promoted by Mr. Akash Bhanshali and co-invested by Balrampur Chini Mills Limited. Mr. Bhanshali directly and through his family LLP (ELME Advisors LLP) own 50% and Balrampur Chini Mills own 50% of the shares in the Company. Both, Mr. Bhanshali and Balrampur Chini Mills Limited, have committed an equity infusion of Rs. 175

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

crores each. Till date of this release, an equity capital of Rs.300 crores has been infused into the Company. Till March 2019, a total of Rs.150 crore has been infused by the existing shareholders. In current financial year, further Rs.150 crore was infused, Rs. 75 crore each in April 2019 and September 2019. In case of defaults beyond 1%, the shareholders have committed to infuse additional equity to the extent of additional default amount within the stipulated time.

Mr. Bhanshali leads the principal investments unit of Enam Holdings Private Limited. Mr. Bhanshali 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. Mr. Bhanshali has a Master's degree in Commerce and is a qualified Chartered Accountant. Balrampur Chini Mills Limited (BCML) incorporated in 1975 is one of the largest integrated sugar manufacturing companies in India and is a listed entity.

Experienced Management Team

Auxilo is managed by Mr. Neeraj Saxena who has more than 19 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.

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. During last financial year, the company has appointed Mr. Raghavendra Prabhu as CFO. Mr. Prabhu is CA by profession, having extensive experience of more than 20 years in BFSI and had previously served as CFO in InCred and Shapoorji Pallonji Finance and Financial Controller at IndoStar Capital.

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, 2019, the loan portfolio of Auxilo stood at Rs.265 crore. The portfolio is divided into 2 types viz., education loan and education ecosystem loan (loan given to schools/colleges/boarding schools). Education loan is further divided in secured loan (~29% of total loan portfolio) and unsecured loan (~40% of total loan portfolio), whereas, education ecosystem loan (~31% of total loan portfolio) is purely secured loan. As on March 31, 2019, the proportion of education loan and education ecosystem 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 ecosystem loan is ~Rs.1 crore. The total outstanding portfolio in this is Rs.83.50 crore (comprising of 83 borrowers). Top 20 borrowers constitute ~51% of average tangible net-worth.

Innovative marketing strategies

In order to reduce dependence and to self-generate leads, the marketing strategies are adapted in which software sends auto mailers to the students at different intervals right from the time they appear for the entrance test till the payment of admission fee to the particular institute. These auto mailers do not always broadcast the core business activity being education finance but are in line with the needs of the students at different stages i.e. tips on appearing for GRE, testimonials from alumina of a particular institute, etc. Thus, these strategies adopted help in building a relationship of the company with the student and these in turn become the main source of referrals in future.

As on March 31, 2019, ~44% of total loan portfolio is generated through education consultants, ~44% through marketing activities and ~12% through referrals.

Key rating weakness

Moderate 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 is 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. The head count of employees was 129 in FY19 vis-à-vis 77 in FY18. Marketing and other administrating expenditure has also substantially increased on account of growth stage of the company. As on December 31, 2019, the company made a profit of Rs.5.96 crore.

Exposure to Single Asset Class and funding to Education institute

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.

Unseasoned loan portfolio with nascent stage of operations

The company has been able to grow its portfolio to ~Rs.458 crore as on December 31, 2019 (Rs.265 crore as on March 31, 2019) since its inception, however, the portfolio is still unseasoned to a large extent. 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.

Adequate Liquidity

As on December 31, 2019, the company's ALM profile had no negative cumulative mismatches upto 1 year bucket. As per ALM profile, repayments for next one year stood at ~Rs.56 crore against the advance inflow of ~Rs.54 crore as on December 31, 2019. As on December 31, 2019, the cash & cash equivalents stood at Rs.11 crore and liquid investments at Rs.8 crore. As on the same date, the undrawn bank lines were of Rs.25 crore. The management, going forward, will be maintaining a liquidity to the extent of three months of outflow.

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

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Non Banking Financial Companies

Financial ratios – Financial Sector

Factoring linkages in ratings

About the Company

Auxilo Finserve Private Limited is promoted by Mr. Akash Bhanshali and co-invested by Balrampur Chini Mills Limited. Mr Akash Bhanshali directly and through his family LLP own 50% and Balrampur Chini Mills own 50% of the shares 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 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. Mumbai branch is operating from its Corporate Office premises.

Auxilo is managed by Mr. Neeraj Saxena having over 19 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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	0.34	18.02
PAT	(9.10)	(4.55)
Interest coverage (times)	-	(0.14)
Total Assets	68.46	283.89
Net NPA (%)	-	-
ROTA (%)	(25.82)	(2.58)

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Long term bank facilities	NA	NA	NA	204.69	CARE A-; Stable
Proposed Long term bank facilities	NA	NA	NA	195.31	CARE A-; Stable
Proposed Non-Convertible Debentures	NA	NA	NA	100.00	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 in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
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)	1) CARE A-; Stable (23-May-19)	-	-
2)	Non-Convertible Debentures	LT	100.00	CARE A-; Stable	-	-	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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