

Rating Rationale

August 14, 2024 | Mumbai

Ecofy Finance Private Limited

Rating reaffirmed at 'CRISIL BBB+/Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.500 Crore (Enhanced from Rs.100 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)

Corporate Credit Rating	CRISIL BBB+/Stable (Reaffirmed)
-------------------------	---------------------------------

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable' rating on the corporate credit rating and bank loan facility on Ecofy Finance Pvt Ltd (Ecofy Finance; erstwhile Accretive Cleantech Finance Pvt Ltd).

The ratings continue to reflect the comfortable capitalisation of the company supported by capital commitment from its largest shareholder, Green Growth Equity Fund (GGEF), and the extensive experience of the management in the financial services space. These strengths are partially offset by the nascent stage of operations and modest earnings.

Ecofy Finance is a non-banking finance company (NBFC) engaged in lending to customers across the green ecosystem. The company is currently offering financing for the following products: electric vehicles (EVs) (two wheelers and three wheelers), rooftop solar units and small and medium enterprises (SMEs). The focus is entirely towards building a retail book with emphasis on an end-to-end digital ecosystem on the back of multiple partnerships.

The company is promoted by GGEF, India's largest climate impact fund, of which Eversource Capital (Eversource) is the fund manager. GGEF has infused Rs 375 crore in the company till date, out of which Rs 105 crore was infused in fiscal 2024.

In fiscal 2024, Ecofy Finance received an infusion of Rs 90 crore by Dutch Bank: FMO^[1]. Post this infusion, FMO became a ~20% shareholder of the company

FMO is a Dutch entrepreneurial development bank. It supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO focuses on four sectors that have a high development impact: Agribusiness, Food & Water, Energy, and Financial Institutions. It has a total committed portfolio of EUR ~13 billion spanning over 85 countries.

The loan book increased to Rs 477.5 crore as on June 30, 2024 from Rs 371.5 crore as on March 31, 2024. Given the nascent stage of operations, the company reported a loss of Rs 10.5 crore (on a provisional basis) in first quarter of fiscal 2025. The loss stood at Rs 33.1 crore (including the deferred tax benefit) as compared to a loss Rs 18.8 crore in fiscal 2023. Gross non-performing assets (GNPAs) and net non-performing assets (NNPAs) though increased, remained low at 0.27% and 0.16%, respectively as compared to 0.03% and 0.01% as on March 31, 2024. The ability to scale up operations profitably while maintaining asset quality will be a key monitorable over the medium term. The company has a customer base of ~22000.

^[1] Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of Ecofy Finance. Also, CRISIL ratings has factored in the expected support and benefits from association with GGEF and Eversource.

Key Rating Drivers & Detailed Description

Strengths:

- **Comfortable capitalization:** Networth was healthy at Rs 413 crore as on June 30, 2024, with capitalisation supported by equity infusion of Rs 375 crore from GGEF and Rs 90 crore from FMO. With low debt levels of Rs 127 crore as on June 30, 2024, gearing remains low at 0.3 times. As the book grows, steady state gearing is expected to remain below 1.5-2 times over the medium term. Eversource is committed to regularly arranging need-based capital to meet business growth.

- **Experienced management team and strong sponsors:** The founders, Ms. Rajashree Nambiar (CEO) and Mr. Govind Sankarnarayanan (COO), have experience of over two decades in the financial services sector. They have complementary skills and expertise, with Ms. Nambiar having run and scaled up large retail NBFCs with a technology focus. Mr. Govind Sankarnarayanan comes with expertise across multiple segments, including having established a green focused NBFC and being the long serving CFO of the financial services business of a large reputed conglomerate.

Core members of the top management, including EV, rooftop solar and SME business heads, and the risk management head, are seasoned professionals. The management is focused on institutionalising strong systems and risk management processes, which will be critical to growing the business as green financing is a niche sector within the financial landscape.

Also, the company benefits from the expertise of Eversource in the green space. The fund manager has been closely involved in developing strategy, capital allocation and risk management since inception. It has provided resources to build the digital infrastructure, which will be the backbone of the company. Eversource has, through GGEF, invested in seven businesses across renewable energy generation and distribution (utility-scale, C&I distribution), resource efficiency (waste and water) and e-mobility, and scaled these businesses through acquisitions. These synergies should help Ecofy Finance better understand the nuances of its asset segments.

Weaknesses:

- **Nascent stage of operations, with ability to manage asset quality yet to be seen:** The company started disbursements in November 2022, with the loan book increasing to Rs 477.5 crores as on June 30, 2024. While the book will further scale up hereon, it would remain a small player over the medium term.

Given a largely unseasoned book, GNPA and NNPA remain low at 0.27% and 0.16% respectively, as on June 30, 2024. The company wrote off exposure of Rs 25 lakhs during fiscal 2024.

Ecofy Finance has put in place the required systems and processes for underwriting, monitoring as well as collections.

Because of the company's niche segment of operations and unseasoned book, track record remains to be seen. Ability to maintain adequate asset quality on steady-state basis and profitably scale up the business will be a key monitorable.

- **Modest earnings:** The company is a loss-making entity, with loss of Rs 33.1 crore in fiscal 2024 as compared to a loss of Rs 18.8 crore in fiscal 2023. The loss was reported at Rs 10.5 crore for first quarter of fiscal 2025 as compared to a loss of Rs 8.2 crore for corresponding period, previous fiscal. Operating expenses remain elevated, though reduced to 15.3% of the average managed assets (annualised) from 15.8% during the same period. Credit costs increased to 2.8% of total managed assets. The company is expected to remain loss making for the next couple of years. Earnings will improve as the loan book scales up and the company derives benefits of operating leverage. As the portfolio seasons, ability to manage credit costs will also need to be closely monitored.

Liquidity: Adequate

As on June 30, 2024, cash and equivalents stood at Rs 50 crore and unutilised bank lines at Rs 2 crore. Against the same, debt obligations (including operating expenses) stood at Rs 50 crore till October 31, 2024. Liquidity is cushioned by the support of Eversource Capital, which may infuse funds in case of exigencies.

Outlook: Stable

CRISIL Ratings believes Ecofy Finance will maintain its comfortable capitalisation over the medium term and continue to benefit from its experienced management team and strong sponsors.

Rating Sensitivity factors

Upward factors:

- Substantial scale up of operations while demonstrating adequate asset quality performance
- Improvement in earnings profile with the company reporting return on assets (RoA) greater than zero on a sustained basis.

Downward factors:

- Significant and sustained weakening in asset quality leading to adverse impact on profitability
- Deterioration in capitalisation metrics with gearing increasing above 4 times on steady-state basis.

About the Company

Ecofy Finance is registered as an NBFC with the Reserve Bank of India. It was incorporated in March 2022 but got registered as an NBFC in November 2022, following which it disbursed its first loan. It is a green NBFC focused on doing green business in the retail space, in a digital manner. It has three product offerings: EVs (two wheelers: 45% three wheelers 16%), rooftop solar (30%) and term loans ,and supply chain financing for SMEs (9%) aiming to reduce their carbon footprint. The company acquired an integrated technology platform, Autovert Technologies, which will enable swift onboarding and disbursements. Further, the company benefits from the readily available data collected by the platform over the past few years.

The company is promoted by Eversource Capital through its maiden fund, GGEF. This is a Category II Alternative Investment Fund registered under the SEBI (AIF) Regulations, 2012. It was established in April 2018 with anchor investments of USD 410 million from National Investment and Infrastructure Fund (NIIF) and Foreign, Commonwealth & Development Office (FCDO). It completed the final close of the fund in January 2022 at USD 741 million.

The company provides asset-backed loans and loans to individuals and businesses that aim to reduce their carbon footprint. It is a retail digital NBFC with average ticket size of Rs 0.1 lakh, Rs 0.3 lakh, Rs 2 lakh and Rs 20 lakh for two wheeler EV, three wheeler EV, rooftop solar and SME, respectively. The average tenure of the loans is 3-4 years. The company aims to be data and technology focused and drive end-to-end processes digitally. As on March 31, 2024, the green loans disbursed by the company have created 9k tons of carbon emission avoidance and ~10k mwh of green electricity generation.

The company reported loss of Rs 10.5 crore in first quarter of fiscal 2025.

Key Financial Indicators

As on / for the period ending	Unit	Jun 2024**	Mar 2024	Mar 2023
Total assets	Rs crore	566	544	268
Total income	Rs crore	17.6	33.4	2.1
Profit after tax	Rs crore	-10.5	-33.1	-18.8
Adjusted gearing	Times	0.3	0.2	NIL
Return on managed assets	%	Negative	Negative	Negative

**Provisional numbers

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Proposed Long Term Bank Loan Facility*	NA	NA	NA	309	NA	CRISIL BBB+/Stable
NA	Working Capital Demand Loan	NA	NA	31-Jan-2025	10	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	31-Aug-2025	30	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	30-May-2028	100	NA	CRISIL BBB+/Stable
NA	Working Capital Demand Loan	NA	NA	NA	1	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	26-Jul-2027	50	NA	CRISIL BBB+/Stable

*Interchangeable with short term rating

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	500.0	CRISIL BBB+/Stable	14-05-24	CRISIL BBB+/Stable	15-05-23	CRISIL BBB+/Stable		--		--	--
				31-01-24	CRISIL BBB+/Stable		--		--		--	
Corporate Credit Rating	LT	0.0	CRISIL BBB+/Stable	14-05-24	CRISIL BBB+/Stable	15-05-23	CRISIL BBB+/Stable		--		--	--
				31-01-24	CRISIL BBB+/Stable		--		--		--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility ^{&}	60	Not Applicable	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility ^{&}	249	Not Applicable	CRISIL BBB+/Stable
Term Loan	30	Kotak Mahindra Investments Limited	CRISIL BBB+/Stable
Term Loan	100	IDFC FIRST Bank Limited	CRISIL BBB+/Stable

Term Loan	50	Northern Arc Capital Limited	CRISIL BBB+/Stable
Working Capital Demand Loan	10	ICICI Bank Limited	CRISIL BBB+/Stable
Working Capital Demand Loan	1	IDFC FIRST Bank Limited	CRISIL BBB+/Stable

& - Interchangeable with short term rating

Criteria Details

Links to related criteria

[Rating Criteria for Finance Companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Ajit Velonie Senior Director CRISIL Ratings Limited B:+91 22 3342 3000 ajit.velonie@crisil.com</p> <p>Subha Sri Narayanan Director CRISIL Ratings Limited B:+91 22 3342 3000 subhasri.narayanan@crisil.com</p> <p>KRUSHIKA Vishal KHANNA Manager CRISIL Ratings Limited B:+91 22 3342 3000 KRUSHIKA.KHANNA@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>