

## Rating Rationale

May 15, 2023 | Mumbai

### Accretive Cleantech Finance Private Limited

'CRISIL BBB+/Stable' assigned to Bank Debt and Corporate Credit Rating

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.100 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB+/Stable (Assigned)</b>

<b>Corporate Credit Rating</b>	<b>CRISIL BBB+/Stable (Assigned)</b>
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*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 assigned its '**CRISIL BBB+/Stable**' corporate credit rating and bank loan facility on Accretive Cleantech Finance Pvt Ltd (Accretive Cleantech)

CRISIL Ratings reflect the comfortable capitalisation of the company supported by capital commitment from its 100% shareholder, Green Growth Equity Fund (GGEF), and the extensive experience of the management in the financial services space. These strengths are partially offset by nascent stage of operations and modest earnings.

Accretive Cleantech (known by the brand Ecofy) is a non-banking finance company (NBFC) engaged in lending to customers across the green ecosystem. The company is looking to grow its loan portfolio across three products: electric vehicles (EVs), 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.

While the company was set up in March 2022, lending operations commenced from November 2022 following receipt of the NBFC license from the Reserve Bank of India (RBI). The company is wholly owned by GGEF, which is India's largest climate impact fund, of which Eversource Capital (Eversource) is the fund manager. Eversource is a 50:50 joint venture between the Indian private equity firm Everstone Group and the UK-based Lightsource BP. National Investment and Infrastructure Fund (NIIF) and Foreign, Commonwealth & Development Office (FCDO), Government of UK, are anchor investors in GGEF along with other limited partners. GGEF has committed capital of Rs 375 crore to Accretive Cleantech, out of which Rs 270 crore had been infused until March 2023 and the remaining Rs 105 crore is expected in the first quarter of fiscal 2024.

The company started disbursements in November 2022 and had a modest loan book of Rs 13.8 crore as on March 31, 2023. Given the nascent stage of operations, the company reported loss of Rs 22 crore in fiscal 2023 and is likely to take at least a couple of fiscals to break even. Ability to scale up operations profitably will be a key monitorable over the medium term.

#### Analytical Approach

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

#### Key Rating Drivers & Detailed Description

##### Strengths:

##### Comfortable capitalisation

Networth was healthy at Rs 248 crore against nil debt as on March 31, 2023. Capitalisation is supported by equity infusion from GGEF, which had committed to invest Rs 375 crore as initial capital, of which Rs 270 crore has been infused and the remaining Rs 105 crore is expected in the first quarter of fiscal 2024.

Though gearing may increase as the loan portfolio scales up, it is expected to remain below 1.5 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 Sankaranarayanan 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 Accretive Cleantech better understand the nuances of its asset segments.

### **Weaknesses**

#### **Nascent stage of operations, with ability to manage asset quality yet to be seen**

Operations are in the nascent stage as the company started disbursements in November 2022. The scale of operations remains modest with loan book of Rs 13.8 crores as on March 31, 2023, and while the book will scale up hereon, it could remain a small player over the medium term.

Accretive Cleantech has put in place required systems and processes for underwriting as well as collection. Furthermore, the company aims to track and monitor the underlying assets on real-time basis with the help of IoT (Internet of things) enabled devices and use this data to strengthen its underwriting and monitoring systems.

Because of the company's niche segment of operations, 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 22 crore in fiscal 2023. Given that it has made upfront investment for human capital and infrastructure, it will 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. Also, as the portfolio seasons, ability to manage credit cost will be closely monitored.

#### **Liquidity: Adequate**

As on March 31, 2023, cash and equivalent stood at Rs 6.63 crore and investment in mutual funds at Rs 212 crore. The company has no debt obligation. Liquidity is cushioned by the support of Eversource Capital, which may infuse funds in case of exigencies.

#### **Outlook: Stable**

CRISIL Ratings believes Accretive Cleantech 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 earning 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**

Accretive Cleantech is registered as an NBFC with the RBI. 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, rooftop solar and term loans, and supply chain financing for SMEs 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 NIIF and 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 0.9 lakh, Rs 5 lakh and Rs 20 lakh for 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.

It reported loss of Rs 22 crore in fiscal 2023.

### Key Financial Indicators

As on / for the period ending	Unit	Mar 2023**	Mar 2022^
Total assets	Rs crore	262	-
Total income	Rs crore	2.1	-
Profit after tax	Rs crore	-22.1	-
Adjusted gearing	Times	NIL	-
Return on managed assets	%	Negative	-

^company incorporated in March 2022

\*\*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.

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### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	100	NA	CRISIL BBB+/Stable
NA	Corporate Credit Rating	NA	NA	NA	NA	NA	CRISIL BBB+/Stable

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	100.0	CRISIL BBB+/Stable		--		--		--		--	--
Corporate Credit Rating	LT	0.0	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	100	Not Applicable	CRISIL BBB+/Stable

This Annexure has been updated on 15-May-2023 in line with the lender-wise facility details as on 15-May-2023 received from the rated entity.

### Criteria Details

<a href="#">Links to related criteria</a>
<a href="#">Rating Criteria for Finance Companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>

**Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support**

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