

Rating Rationale

November 21, 2024 | Mumbai

Ecofy Finance Private Limited

'CRISIL BBB+/Stable' assigned to Non Convertible Debentures

Rating Action

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

Rs.65 Crore Non Convertible Debentures	CRISIL BBB+/Stable (Assigned)
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 assigned its '**CRISIL BBB+/Stable**' rating to Rs 65 crore non-convertible debentures of Ecofy Finance Private Limited (Ecofy Finance; erstwhile Accretive Cleantech Finance Pvt Ltd) while reaffirming its '**CRISIL BBB+/Stable**' rating on the corporate credit rating and bank loan facility of the company

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 profile.

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 589 crore as on September 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 **18.3** crore (on a provisional basis) in first half of fiscal 2025. In fiscal 2024, 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) stood at 0.88% and 0.14% respectively as on September 30, 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 whilst factoring in benefits accruing to its financial flexibility on account of its association with GGEF and Eversource.

Key Rating Drivers & Detailed Description

Strengths:

Comfortable capitalisation

Network was healthy at Rs 406 crore as on September 30, 2024, with capitalisation supported by equity infusion of Rs 375 crore from GGEF and Rs 90 crore from FMO. Borrowings increased to Rs 307 crore as on September 30, 2024 from Rs 87 crore as on March 31, 2024. However, the gearing remains low at 0.8 times as on September 30, 2024 (0.2 times as on March 31, 2024). As the book grows, steady state gearing is expected to remain below 1.5-2.0 times over the medium term. The capitalization is strengthened by factoring in benefits accruing to the company's financial flexibility on account of its association with GGEF and Eversource.

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 Ecofy Finance better understand the nuances of its asset segments.

Weakness:

Nascent stage of operations, track record yet to be seen

The company started disbursements in November 2022, with the loan book increasing to Rs 589 crore as on September 30, 2024 as compared to Rs 372 crore as on March 31, 2024. While the book will continue to scale up, it would remain a small player over the medium term.

As the portfolio is seasoning, there is an uptick in early delinquencies with 30+ dpd increased from 0.29% as on March 31, 2024 to 2.47% as on September 30, 2024. However, Ecofy has managed asset quality with GNPA and NNPA at 0.88% and 0.14% respectively as on September 30, 2024, compared to 0.37% as on June 30, 2024 and 0.03% as on March 31, 2024. The company wrote off exposure of Rs 1.58 crores during first half of fiscal 2025.

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

Due to the company's niche segment of operations and low seasoned 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 a reported loss of Rs 18.3 crore in first half of fiscal 2025 as compared to a full year loss of Rs 33.1 crore in fiscal 2024 and Rs 18.8 crore in fiscal 2023. Operating expenses remain elevated, though reduced to 13.7% of the average managed assets (annualised) from 16.9% and 19.1% during the same period. Credit costs increased to 2.3% of total managed assets. Going forward, earnings are expected to improve as the loan book scales up and the company derives benefits of operating leverage. However, company's ability to break even and then maintain steady profitability remains to be seen. Further, as the portfolio seasons, ability to manage credit costs will also need to be closely monitored

Liquidity: Adequate

As on October 31, 2024, cash and equivalents stood at Rs 101.7 crore and unutilised bank lines at Rs 36 crore. Against the same, debt obligations (including operating expenses) stood at Rs 122 crore till March 31, 2025. 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: 41% three wheelers 19%), rooftop solar (33%) and term loans ,and supply chain financing for SMEs (7%) aiming to reduce their carbon footprint. The company acquired an integrated technology platform, Autovert Technologies, which will enable swift onboarding and disbursals. 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 18.3 crore on total income (net of interest expenses) of Rs 29.8 crore in first half of fiscal 2025 as compared to a loss of Rs 33.1 crore on total income of Rs 31.2 crore for full fiscal 2024.

Key Financial Indicators

As on / for the period ending	Unit	Sep 2024**	Mar 2024	Mar 2023
Total assets	Rs crore	745	544	268
Total income	Rs crore	38.8	33.4	2.1
Profit after tax	Rs crore	-18.3	-33.1	-18.8
Gearing	Times	0.8	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.

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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 Outstanding with Outlook
NA	Non Convertible Debentures#	NA	NA	NA	65	Simple	CRISIL BBB+/Stable
NA	Working Capital Demand Loan	NA	NA	31-Jan-25	10	NA	CRISIL BBB+/Stable
NA	Working Capital Demand Loan	NA	NA	31-Jan-25	1	NA	CRISIL BBB+/Stable
NA	Proposed Long Term Bank Loan Facility@	NA	NA	NA	309	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	31-Aug-25	30	NA	CRISIL BBB+/Stable
NA	Term Loan	NA	NA	30-May-28	100	NA	CRISIL BBB+/Stable

NA	Term Loan	NA	NA	26-Jul-27	50	NA	CRISIL BBB+/Stable
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#Yet to be issued

@Interchangeable with short term rating

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	500.0	CRISIL BBB+/Stable	14-08-24	CRISIL BBB+/Stable	15-05-23	CRISIL BBB+/Stable		--		--	--
			--	14-05-24	CRISIL BBB+/Stable		--		--		--	--
			--	31-01-24	CRISIL BBB+/Stable		--		--		--	--
Corporate Credit Rating	LT	0.0	CRISIL BBB+/Stable	14-08-24	CRISIL BBB+/Stable	15-05-23	CRISIL BBB+/Stable		--		--	--
			--	14-05-24	CRISIL BBB+/Stable		--		--		--	--
			--	31-01-24	CRISIL BBB+/Stable		--		--		--	--
Non Convertible Debentures	LT	65.0	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@	60	Not Applicable	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility@	249	Not Applicable	CRISIL BBB+/Stable
Term Loan	50	Northern Arc Capital Limited	CRISIL BBB+/Stable
Term Loan	30	Kotak Mahindra Investments Limited	CRISIL BBB+/Stable
Term Loan	100	IDFC FIRST Bank 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](#)

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