

July 27, 2024

To,

**Department of Corporate Relationship
BSE Ltd.**

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001.
Scrip Code: 539177

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051
NSE Symbol – AILL

The Calcutta Stock Exchange Limited

7, Lyons Range, Murgighata, Dalhousie,
Kolkata, West Bengal - 700 001.
Scrip Code: 011262

Dear Sir/ Madam,

**Subject: Disclosure under Regulation 30 of Securities Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to the subject caption above, we wish to inform that CRISIL Ratings has assigned its 'CRISIL A-/Stable' rating to the long-term bank facilities upto Rs. 1000 Crore of Authum Investment & Infrastructure Limited on July 26, 2024. The rating rationale is attached for reference.

Request to take the same on record.

Thanking You,

For Authum Investment & Infrastructure Limited

**Hitesh Vora
Company Secretary
Mem No.: A40193**

Encl: As above

Rating Rationale

July 26, 2024 | Mumbai

Authum Investment And Infrastructure Limited

'CRISIL A-/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1000 Crore
Long Term Rating	CRISIL A-/Stable (Assigned)

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 A-/Stable' rating to the long term bank facilities of Authum Investment and Infrastructure Ltd (Authum).

The rating is driven by the comfortable capitalisation, and adequate profitability of Authum, driven by performance of the investment portfolio in recent years. These strengths are partially offset by the limited track record of scaling up the non-investment business and of raising resources from diversified sources at scale and at competitive rates. Further, performance of the investment book will remain sensitive to macroeconomic factors and volatility in capital markets.

Incorporated in 1982, Authum is registered as a non-banking financial company (NBFC) and has been carrying out investment activities over its operational history. In fiscal 2023, the company acquired Reliance Commercial Finance Ltd (RCFL) and assets of Reliance Housing Finance Ltd (RHFL), after receiving the letters of intent (LOI) dated June 19, 2021, and July 15, 2021, under the intercreditor agreement (ICA) between lenders of RCFL and RHFL. This scheme of arrangement came into effect on October 14, 2022, following resolution of liabilities on the books of RCFL. Consequently, RCFL became a wholly owned subsidiary of Authum with effect from October 14, 2022, and financial assets of RHFL were acquired by the company on March 29, 2023. Eventually, on May 10, 2024, National Company Law Tribunal (NCLT) approved demerger of the lending business of RCFL from it and absorption of the same in Authum while RCFL remains a wholly owned subsidiary of Authum with only the residual non-financial business housed in it.

On March 31, 2024, the company had total asset base of Rs 11,621 crore of which, Rs 8,940 crore was deployed as investments whereas the loan book was another Rs 1,519 crore. Of the total lending portfolio, 64% was the legacy portfolio acquired from RCFL and RHFL and balance comprised fresh disbursements. Corresponding to this, reported gross non-performing assets (GNPAs) stood at Rs 1,218 crore on March 31, 2024 – entirely stemming from the acquired portfolio and fully provided for as on date.

Going forward, Authum plans to venture into adjacent credit capability segments such as structured lending, asset management, asset reconstruction and advisory. While the company has experience in treasury operations, its ability to profitably scale the non-investment businesses, particularly the lending book, remains a key monitorable.

Capitalisation is comfortable in relation to the current scale and nature of operations, marked by a reported networth of Rs 10,345 crore as on March 31, 2024, which includes the effect of non-cash accretion through exceptional and other comprehensive income from acquisition of RCFL and assets of RHFL, as well and mark to market gains on the investment book. On the same date, gearing was 0.1 time and is expected to remain well below 0.5 times over the medium term.

Beyond this, returns generated from the treasury portfolio have also supported the financial risk profile by aiding to overall profitability. For fiscal 2024, income from investments was 45% of the total income and profit after tax (PAT) was Rs 4,285 crore which included Rs 1,782 crore of recoveries/provision write back from the legacy portfolio. For fiscal 2023, the company reported a net profit of Rs 4,304 crore, which included the effect of exceptional income of Rs 4,286 crore arising from the acquisition of RCFL and RHFL; from a networth accretion perspective, however, this was offset by the negative networth of RCFL. Thus far, the company's earnings profile has been supported by treasury gains and as it scales its non-investment portfolio, diversification of revenue streams and profitability remains monitorable.

While Authum is currently primarily equity funded, it plans to raise debt to grow the non-investment business. Authum is promoted by Ms Alpana Dangi and Mr Sanjay Dangi, who collectively hold 74.72% (65.30% directly and 9.42% through their company - Mentor Capital Ltd) in the company as on March 31, 2024. The ability of the company to raise debt at competitive rates from the lender and investor community will be a key monitorable.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of Authum and its subsidiaries because of majority shareholding and business and financial linkages.

Key Rating Drivers & Detailed Description

Strengths:

- **Comfortable capitalisation levels:** The company's capital position is comfortable in relation to its scale and nature of operations; capital level has significantly strengthened mainly in recent years - Networth stood at Rs 10,345 crore as on March 31, 2024, compared to Rs 3,416 crore as on March 31, 2023, and Rs 1432 as on March 31, 2021.

The significant increase in networth as on March 31, 2024, over the previous fiscal was primarily driven by realised income from investments of Rs 1,959 crore, Rs 1,782 crore of provisions written back, Rs 1,850 crore of other comprehensive income (OCI) booked and capital reserve of Rs 2,612 crore arising from the demerger of RCFL's identified business into Authum during fiscal 2024. The write back was on account of recoveries made from legacy stressed portfolio acquired from RCFL. In fiscal 2023, the internal accretion to consolidated networth was Rs 4,304 crore almost entirely contributed by exceptional, non-cash income of Rs 4,286 crore stemming from the scheme of arrangement. However, its effect was offset by a negative balance of Rs 4,010 crore in other equity, on a consolidated basis, which was a result of consolidation with RCFL.

The overall capital adequacy ratio (CAR) for Authum, on a standalone basis, was 53% as on March 31, 2024, as compared to 77.9% a year ago. In light of its plan to expand operations across segments such as lending, asset management and advisory in the future, the company is expected to raise external funding. However, CRISIL Ratings expects the company to maintain its steady-state gearing well within 0.5 times over the medium term.

- **Adequate profitability, driven by returns on the investment portfolio:** Authum had a sizable investment portfolio of Rs 8,940 crore (at market value) as on March 31, 2024, which marks a three-year compound annual growth rate (CAGR) of 83%. In the past three years, Authum has realised gains of Rs 3,171 crore from its treasury portfolio, which has been the main contributor to net profit.

This book is dominated by listed equity investments to the tune of 91% followed by investments in debt, mutual funds and others. As part of its investment philosophy, the company invests in large-cap and mid-cap stocks with focus on companies having the potential to become market leaders. The minimum holding period is 3-5 years. As a strategy, the company plans on deploying 25-40% of its investment income in scaling the lending business and the balance is to be reinvested in equities.

On a steady-state basis, the company intends to maintain current investments book of its total asset base as investments and returns derived thereof shall aid the overall earnings profile, as seen in the past. However, the treasury portfolio and income generated there from, remain susceptible to volatility in the capital markets.

Weaknesses:

- **Limited track record of scaling the non-investment business:** After its scheme of amalgamation with RCFL and RHFL coming into effect from fiscal 2023, Authum has forayed into lending business. However, as an entity which has been carrying out investment activities since inception, Authum's experience and expertise in profitably scaling a lending business remains undemonstrated.

As on March 31, 2024, the company had a loan portfolio of Rs 1,519 crore, of which Rs 607 crore was the legacy book acquired from RCFL and RHFL, Rs 473 crore were pass through certificates and balance was contributed by new originations. Disbursements for fiscal 2024 were Rs 759 crore, of which Rs 592 crore were extended in the fourth quarter of fiscal 2024. For most part of fiscal 2024, the company focused on making recoveries from the acquired portfolio which also yielded results as evidenced by Rs 2700 crore of recoveries made during the fiscal.

In the near term, the entity plans to venture into real estate funding and structured credit. However, the growth is expected to remain gradual. Ability of the company to maintain sound asset quality and profitability against this high value, low volume portfolio, remains instrumental. The profitable scale up of planned launches of adjacent businesses such as asset reconstruction and asset management also need to be demonstrated.

- **Ability to raise debt from diversified sources at scale and at competitive rates yet to be demonstrated:** Currently, business operations of Authum are funded by the networth. The group, in the past, has received sanctions from various NBFCs, including in the nature of loans against securities. Going forward, the company's plans to enter other credit adjacent businesses such as asset reconstruction, asset management and advisory and raise external borrowings for the same.

Given the confidence-sensitive nature of the funding market, ability of the company to raise debt from diverse sources at scale and at competitive rates from the lender and investor community will be a key monitorable. Any legal disputes against the promoters and / or the company may have an impact on planned fund raising.

- **Investment book will remain sensitive to macroeconomic factors and volatility in capital markets:** Around 91% of Authum's investments are parked in equities as on March 31, 2024. The investment business will remain sizeable and core to Authum's strategy going ahead.

In terms of investment philosophy, during the Covid-19 pandemic, the promoters had shifted the portfolio to primarily mid cap and large cap stocks and have earned significant profits from this portfolio in recent years.

However, this performance has been against the backdrop of very strong performance in the equity markets in the country. Equity markets, by their very nature are cyclical. And hence, performance of the investment portfolio remains susceptible to volatility inherent in the capital markets. Adverse movements in the equity market can, therefore, substantially reduce the value of the company's investment portfolio, and hence, remain a key monitorable.

Liquidity: Adequate

As on March 31, 2024, Authum had cash and cash equivalents aggregating to Rs 495 crore. Over the subsequent three months (through June 2024), the company honored debt obligations cumulating to Rs 431 crore. Authum also has a large part of its investment book into listed large-cap stocks, which gives the flexibility to liquidate those stocks if need arises. As per the stated policy, Authum intends to keep six months of operational and finance cost as cash and bank balance.

Outlook: Stable

The company's capitalisation is expected to remain adequate with treasury income continuing to aid overall profitability, in the normal course of business, until the lending business scales and becomes more seasoned.

Rating Sensitivity factors

Upward factors:

- Significant diversification in business risk profile
- Material and sustained improvement in profitability marked by return on managed assets (RoMA) on non-investments businesses remaining above, 3% on a steady-state basis

Downward factors:

- Substantial deterioration in capitalisation, leading to a decline in Tier I CAR to below 18%
- Inability to sustain asset quality and profitability alongside business growth
- Any litigations on the promoters, which can potentially have a bearing on the promoter group and/or Authum

About the Company

Authum is a registered NBFC carrying on the business of investment in shares and securities and also financing activities. It was acquired by the current promoters in 2019 and is listed on Bombay Stock Exchange Ltd and Calcutta Stock Exchange Ltd.

The entity received an LOI dated June 19, 2021, and July 15, 2021, from ICA lenders of RHFL and RCFL in fiscal 2022. The acquisition was finally cleared by all regulatory bodies at the close of fiscal 2023. Pursuant to the above, RCFL became a wholly owned subsidiary of the company with effect from October 14, 2022. It acquired financial assets of RHFL on March 29, 2023. For fiscal 2024, Authum reported PAT of Rs 4,285 crore.

Key Financial Indicators

(Consolidated)

As on/for the period ended March 31	2024	2023
Total assets	11621	6900
Loan book	1519	2253
Investments	8940	3543
Total income	4401	542
Profit after tax (PAT)*	4285	4304
Gearing	0.1	0.5

*PAT in FY23 was higher than total income owing to an exceptional income of Rs 4,286 crore arising from the acquisition of RCFL.

Key Financial Indicators: Standalone

As on/for the period ended March 31	2024	2023
Total assets	11356	4021
Loan book	1519	91
Investments	8940	3593
Total income	2433	377
PAT	2924	240
Gearing	0.04	0.3

Any other information

In 2010, the promoters and their investment companies were restrained by SEBI from accessing the securities markets citing alleged involvement in influencing prices in various scrips; these charges were dropped in March 2021 based on no material discovery of evidence on record by the Adjudicating Officer with respect to any violations of SEBI Act.

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 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	1000	NA	CRISIL A-/Stable

&Interchangeable with short term bank facility

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Reliance Commercial Finance Ltd	Full	Subsidiary
Authum Asset Management Company Pvt Ltd	Full	Subsidiary
Authum Real Estate Pvt Ltd	Full	Subsidiary

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	1000.0	CRISIL A-/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&	1000	Not Applicable	CRISIL A-/Stable

&Interchangeable with short term bank facility

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation

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