

**Press Release**  
**ICL Fincorp Limited**  
**February 29, 2024**



**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>BOND</b>	50.00	ACUITE BBB-   Stable   Assigned	-
<b>Non Convertible Debentures (NCD)</b>	50.00	ACUITE BBB-   Stable   Assigned	-
<b>Non Convertible Debentures (NCD)</b>	150.00	ACUITE BBB-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	250.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating of **ACUITE BBB- ( read as ACUITE triple B minus)** to Rs.150.00 Cr. NCDs of ICL fincorp limited (ICLFL). The outlook is '**Stable**'. Acuite has assigned its long term rating of **ACUITE BBB- ( read as ACUITE triple B minus)** to Rs.50 Cr. NCDs of ICL fincorp limited (ICLFL). The outlook is '**Stable**'.

Acuite has also assigned its long term rating of **ACUITE BBB- ( read as ACUITE triple B minus)** to Rs.50 Cr. Bonds of ICL fincorp limited (ICLFL). The outlook is '**Stable**'.

**Rationale for rating**

The rating continues to factor in the experience of promoters in the gold loan financing segment and moderate earning profile. ICLFL's AUM has improved to Rs.409.97 Cr. as on December 31, 2023 as against Rs.396.10 Cr. as on March 31<sup>st</sup> 2023 and Rs.344.19 Cr. as on March 31<sup>st</sup> 2022. ICLFL's net interest margins stood stable at 15.73 percent in FY24 as against 15.90 percent in FY23 . The PAT for 9MFY24 improved to Rs. 3.47 Cr. from Rs. 3.13 Cr. in FY23. The rating however, remains constrained by geographical concentration, limited financial flexibility and highly competitive business of gold loans. Going forward, the company's ability to raise capital, profitable scale up the loan portfolio while maintaining the capital adequacy and asset quality metrics will be key rating monitorable.

**About the company**

ICL Fincorp Limited (ICLFL) was established in 1991 and started its non-banking financial services operation in 1999 with the approval of Reserve Bank of India. The company acquired a Chennai based NBFC company, Jawahar Finance Company, and renamed it as 'Irinjalakuda Credits and Leasing Company Limited' in 2004. The company was renamed to 'ICL Fincorp Ltd' in May 2016. IFL is based in Irinjalakuda, Thrissur, Kerala. The company started lending against consumer durables and later ventured into gold loans in 2013. The company currently offers gold loans, small business loans, personal loans, loan against property (LAP), and two wheeler loan. The promoter is also engaged in health care, textiles, chits, and tours and travel businesses through separate companies. The registered office of the company is in Chennai. The directors of the company are Mr. Kuzhupilly Govinda Menon Anilkumar, Ms. Umadevi Anilkumar, Mr. Ambadath Aiyappan Balan, Mr. Kakkeri Kochakkan Wilson, Mr. Sreejith Surendran Pillai and Mr. Shinto Stanly.

## **Analytical Approach**

Acuite has considered the standalone business and financial risk profile of ICL Fincorp limited to arrive at the rating.

### **Key Rating Drivers**

#### **Strength**

##### **Experienced promoters and established track record of operations**

The promoters have more than three decades of experience and a strong understanding of customer profile in the region of operations. Given the company's long track record of presence of more than three decades in State of Kerala, the company has built good creditable with borrowers. The company is managed by Mr.K G Anil Kumar, the managing director of the company has long standing experience in various businesses and financial services. The day to day operations of the company are managed by Mr.K G Anil Kumar and Ms. Uma Devi Anil Kumar who is supported by team of professionals. Acuite believes that ICLFL will continue to benefit from experience of promoters and established track record of operations in gold loan segment.

##### **Stable Business growth aided by continuous expansion**

The company has demonstrated stable growth in its business metrics as evident by growth in AUM to Rs.409.97 Cr as on December 31st 2023 as against Rs. 396.10 Cr as on March 31st 2023. Total disbursements in 9MFY24 stood at Rs. 921.38 Cr as against Rs.1368 Cr in FY2023. Out of total AUM of Rs.409.97 Cr as on Q3FY24, Rs.404.43 Cr (98.65 percent) pertains to gold loans as against 99.20 percent in FY2023. High proportion of gold loans in total AUM is also attributable to company's expertise in gold loans and opex in new states outside of Kerala like Andhra Pradesh, Karnataka, Telangana, Tamil Nadu and Orissa. Increase in outstanding gold loan portfolio would make the portfolio more secure and would reduce the risk of losses. Going forward company is planning to diversify into other segment like vehicle loan, business loan, personal loans and property loans.

##### **Geographical concentration; albeit improving**

ICLFL has presence majorly in south Indian states of Kerala, Tamil Nadu, Telangana, Karnataka, Andhra Pradesh and Orissa. Company's loan book is majorly concentrated in Kerala with the share of 22.41 percent of total portfolio. However, Kerala state's share in total loan book is declining consistently from 42.61 percent in FY21 to 34.90 percent in FY22 and 30.45 percent in FY23. Decline is attributable to company opex in other states in South India and Orissa. Further, company is in plan to extend its footprints in North Indian states by Q4FY24.

#### **Weakness**

##### **Timely infusion of capital in order to maintain CRAR as per regulatory requirements**

Capital to risk assets ratio(CRAR) stood at 15.01 percent as on December 31st 2023 as against 16.75 percent as on March 31 2023. In order to maintain capitalisation as per regulatory requirements company is planning to infuse funds around Rs.25 Cr by March'2024 to facilitate for further issue of NCDs. The gearing ratio of the company stood moderate at 5.40 times as on Q4FY24 as against 4.68 times as on March 31st 2023. Timely infusion of capital to facilitate capitalisation requirement as per regulatory requirement would be key rating monitorable.

##### **Competitive nature of the Industry**

ICLFL is exposed to stiff competition from other varied sized NBFCs. The lending industry focused around gold, two wheeler vehicle loan, LAP and secured business loan are highly

fragmented with unorganized lenders also vying for the same set of borrowers. However, ICLFL professional management and focused approach towards these lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks attached to them.

### Rating Sensitivity

- Movement in capital structure and timely infusion of capital
- Movement in liquidity buffers
- Movement in earning profile
- Changes in regulatory environment

### Liquidity Position: Adequate

ICLFL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated December 31, 2023. The company had cash and cash equivalent of Rs. 6.32 Cr as on March 31, 2023.

### Outlook: Stable

Acuité believes that ICLFL will maintain a 'Stable' outlook over the medium term supported by its established presence in the gold loan segment along with experienced promoters and demonstrated ability to maintain asset quality levels. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality and profitability metrics.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	523.68	456.53
Total Income*	Rs. Cr.	62.98	47.95
PAT	Rs. Cr.	3.13	2
Net Worth	Rs. Cr.	83.63	73.19
Return on Average Assets (RoAA)(%)		0.64	0.48
Return on Average Net Worth (RoNW)	(%)	1	2.77
Debt/Equity	Times	4.68	4.68
Gross NPA	(%)	3.83	1.89
Net NPA	(%)	3.51	1.68

\*Total Income equals to Net Interest Income plus other income.

### Status of non-cooperation with previous CRA (if applicable):

Not applicable

### Any other information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

[53.htm](#)

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

### **Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Oct 2023	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE Not Applicable   Not Applicable (Withdrawn)
	Proposed Long Term Bank Facility	Long Term	16.00	ACUITE Not Applicable   Not Applicable (Withdrawn)
	Non-Covertible Debentures (NCD)	Long Term	100.00	ACUITE Not Applicable   Not Applicable (Withdrawn)
12 Dec 2022	Cash Credit	Long Term	4.00	ACUITE B+   Not Applicable (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	16.00	ACUITE B+   Not Applicable (Reaffirmed & Issuer not co-operating*)
	Non-Covertible Debentures (NCD)	Long Term	100.00	ACUITE B+   Not Applicable (Reaffirmed & Issuer not co-operating*)
16 Dec 2021	Proposed Long Term Bank Facility	Long Term	16.00	ACUITE B+   Not Applicable (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE B+   Not Applicable (Downgraded & Issuer not co-operating*)
	Non-Covertible Debentures (NCD)	Long Term	100.00	ACUITE B+   Not Applicable (Downgraded & Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE01CY077K8	Non-Convertible Debentures (NCD)	14 Dec 2023	0.00	14 Aug 2029	Simple	12.67	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077C5	Non-Convertible Debentures (NCD)	14 Dec 2023	12.25	14 Dec 2026	Simple	1.19	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077I2	Non-Convertible Debentures (NCD)	14 Dec 2023	11.75	12 Dec 2025	Simple	0.32	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077J0	Non-Convertible Debentures (NCD)	14 Dec 2023	12.50	14 Dec 2026	Simple	3.94	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077F8	Non-Convertible Debentures (NCD)	14 Dec 2023	12.00	12 Dec 2025	Simple	8.08	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077H4	Non-Convertible Debentures (NCD)	14 Dec 2023	11.50	14 Jan 2025	Simple	12.35	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077E1	Non-Convertible Debentures (NCD)	14 Dec 2023	12.50	14 Dec 2028	Simple	18.75	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077B7	Non-Convertible Debentures (NCD)	14 Dec 2023	12.00	14 Dec 2026	Simple	21.21	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077G6	Non-Convertible Debentures (NCD)	14 Dec 2023	11.50	12 Dec 2025	Simple	10.41	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE01CY077D3	Non-Convertible Debentures (NCD)	14 Dec 2023	11.00	14 Jan 2025	Simple	11.08	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bond	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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