

Press Release

Inditrade Fincorp Limited

December 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 200.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 200.00 Cr. bank facilities of Inditrade Fincorp Limited (IFL). The outlook is '**Stable**'.

Analytical Approach:

Acuite has taken a consolidated view on business and financial risk profile of Inditrade Fincorp Limited (IFL) along with Inditrade Capital Limited and its subsidiaries herein after referred to as 'Inditrade Capital Group' to arrive at the rating.

The companies considered for consolidation are:

- Inditrade Fincorp Limited (erstwhile JRG Fincorp Limited)
- Inditrade Microfinance Limited (IML)
- Inditrade Business Consultants Limited (IBCL)
- Inditrade Commodities Trading Limited (ICTL)
- Inditrade Derivatives and Commodities Limited (IDCL)
- Inditrade Insurance & Broking Private Limited (IIBPL)
- Inditrade Housing Finance Limited (IHFL)

The consolidation is in view of the common management, shared brand along with strong operational and financial synergies between the group companies. Extent of Consolidation: Full.

About the Group:

Inditrade Group operates through its flagship company Inditrade Capital Limited (ICL; formerly known as JRG Associates). The company was taken over by the present promoter Mr. Sudip Bandyopadhyay in 2015 by acquiring 71.8 percent stake from Barings Private Equity Partners and public holding.

The group is engaged in commodity financing and derivatives & commodity trading since 2016, micro finance lending since 2017, MSMEs lending since 2018 and digital lending in 2019. The group plans to foray in housing finance operations on receipt of HFC license. ICL operates through 7 subsidiaries namely Inditrade Fincorp Limited (erstwhile JRG Fincorp Limited), Inditrade Microfinance Limited, Inditrade Business Consultants Limited, Inditrade Commodities Trading Limited, Inditrade Derivatives and Commodities Limited, Inditrade Insurance & Broking Private Limited and Inditrade Housing Finance Limited. The group's consolidated lending AUM stood at Rs. 468 Cr.as on September 30, 2019.

Inditrade Capital Limited's equity capital is listed on BSE with promoter and promoter group holding 71.8 percent as on September 30, 2019.

About IFL:

Inditrade Fincorp Limited (IFL, erstwhile JRG Fincorp Limited) is an NBFC-ND engaged in extending loans against agri commodities since 2016, commenced MSME lending since 2018 and digital lending 2019. The company has its head office in Mumbai and primarily operates through a network of 4 branches across 3 states primarily in the southern and western region of India.

ICL holds 57 percent and 43 percent is held by Mauritius based Athena India opportunities fund as on September 30, 2019. IFLs AUM stood at Rs. 185 Cr. as on September 30, 2019.

Key Rating Drivers

Strengths

- **Healthy Capitalisation levels resulting in enhanced resource raising ability:**

Inditrade Capital group is a mid-sized financial services group primarily focused on commodity financing and MFI lending. The group is also engaged in commodity trading businesses.

The key promoter of the group is Mr. Sudip Bandyopadhyay, a Chartered accountant with over three decades of experience in financial services. The board comprises of experienced professionals with experience in banking and financial services. The group presently has three major verticals i.e. agri finance, microfinance lending and loans to MSMEs. The agri finance activities are carried out through IFL and microfinance activities are carried out through IML.

The group's presence in agri finance business was strengthened by its decision to acquire Edel Commodities Trading Limited in November 2016 and subsequently transferred the business to IBCL. Besides agri financing the group is also in the process of establishing its presence in microfinance segment. The group's lending AUM stood Rs. 385 Cr. as on March 31, 2019 as against Rs. 245 Cr. and Rs. 124 Cr. as on March 31, 2018 and March 31, 2017. The AUM has grown to Rs. 468 Cr. as on September 30, 2019. The growth is driven by healthy growth in microfinance operations. Microfinance Loans comprised 60 percent of the overall AUM as on September 30, 2019 as against 28 percent as on March 31, 2018. The group has identified merchant financing and digital lending as additional products besides the conventional products of Agri financing and microfinance. Considering the tremendous opportunity for loan book growth in these segments, the group's funding requirement will multiply. The group's is adequately capitalized with Networth of Rs. 180.6 Cr. and debt of Rs. 306.8 Cr. as on September 30, 2019. The Group is leveraged at 1.7 times as on September 30, 2019. Besides the on book leverage, the group has identified other financing options such as securitization and direct assignment to support AUM growth.

Acuite believes that Inditrade capital group shall continue to benefit from its experienced management and its prudent capital structure which will enable it to raise additional funding to support its growth requirements.

- **Prudent risk mitigation practices:**

Inditrade Capital group is engaged in secured lending i.e. commodity financing and trading and unsecured lending i.e. microfinance is lending. The group has put in place sound systems and processes to manage the underlying business risks across all its business segments. The group has experienced management team in place to handle commodity financing, and trading business, which has been strengthened by the acquisition of Edel Commodities Trading Limited. With respect to IFL, detailed due diligence is undertaken before lending to customers. The company mainly finances non-essential commodities (including soya bean, turmeric, rubber, castor oil, etc.) traded on the commodity exchanges. This enables the company to liquidate the stock in case of no show by the borrower on the due date.

The loans are backed by warehouse/Comtrack (dematerialized) receipts, which ensures independent confirmation of the quantity and quality of the commodity being offered as collateral. Almost 95% of the commodity financing transactions are on a fully hedged basis (on the relevant commodity exchanges) and for the balance transactions, adequate margin of about 30-40% is maintained to absorb price risks. The overall asset quality is also supported by the relatively short-tenure of the underlying loans of around three months which helps to better manage the price risks in the underlying commodities. The exposure is decided based on several parameters including volatility in prices of the underlying commodities, liquidity in the underlying commodity, and credit profile of the borrowers.

IFL has also put in place limits on exposure to individual commodities and geographies to reduce concentration in the portfolio. This is reflected in the nil gross non-performing assets (GNPAs) as on September 30, 2019 as against 0.29% as on March 31, 2018 (0.19% as on March 31, 2017). The delinquencies in prior periods primarily pertained to the group's loans against shares and LAP.

With respect to Inditrade Microfinance Limited (IML), the company has put adequate systems, policies and

processes in place, especially given the short track record of operations: IML's major proportion of the portfolio is towards lending for income generating activities and 100% digital disbursements. There are restrictions in place on 1st cycle loans, and enhanced loan amount in second cycle is dependent upon requirement, track record of the borrower and timeliness in repayment of dues. The group's ability to maintain asset quality while scaling up its operations (across both existing and new business segments) will remain a key sensitivity factor. The gross NPAs in IML stood at 0.3 percent as on September 30, 2019 as against nil and 0.1 percent as on March 31, 2019 and March 31, 2018 respectively.

Acuité believes that the Group's overall credit profile will be supported by sound risk mitigating practices and their ability to attain geographical diversity over the medium term.

Weaknesses

• Susceptibility of operations to performance of microfinance and newer segment:

The group initially forayed in the commodity lending segment since November 2016, microfinance lending since 2017, MSME lending since 2018 and digital lending in 2019. Of the overall AUM as on September 30, 2019 of Rs. 468 Cr., 60 percent were microfinance loans, 16 percent was loans against commodity and the remaining 24 percent were loans to MSMEs, digital loans and other exposures.

Inditrade Capital Group primarily extends unsecured loans to marginal borrower with limited ability to absorb income shocks. Since the microfinance sector operates in a segment dealing with the lower economic strata of the society, the regulatory environment is stringent. This renders the MFIs such as IML to regulatory risks. Besides the regulatory risks, the inherent nature of the business renders the portfolio vulnerable to event risks such as natural calamities in the area of operations. These risks are heightened in case of geographical concentration. Of the overall microfinance portfolio as on September 30, 2019 in IML, 67 percent is originated in two states namely Kerala and Tamil Nadu. While the management has identified risk mitigating factors such as limits on single district concentration, IML's asset quality is contingent on the performance of this segment. Further, the group's loan book of Merchant advances and digital lending has been originated in the past one year and the track record of scalability and sustainability across the cycle is yet to be established. Therefore the risk of likely slippages in the segment is elevated.

Against this backdrop, the group's ability to manage the asset quality and profitability metrics while diversifying its product mix will be a key rating sensitivity.

Rating Sensitivities

- Adverse Movement in asset quality
- Movement in leverage indicators

Material Covenants: None

Liquidity Position: Adequate

IFL has adequately matched asset liability profile with no negative cumulative mismatches in the maturity buckets of upto one year based on ALM as on September 30, 2019. The company's liquidity profile is supported by healthy capitalisation levels thereby reducing dependence on external borrowings. The company has borrowed from various public and private sector banks in the form of working capital loans.

Outlook: Stable

Acuité believes that the Inditrade Fincorp Limited will maintain a 'Stable' outlook on account of strong support from promoter group along with prudent risk mitigating practices of the company. The outlook may be revised to 'Positive' in case of significant increase in the scale of operations while maintaining adequate asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of pressure on capitalisation or deterioration in profitability and asset quality metrics.

About Inditrade Capital Limited (Consolidated) - Key Financials

Parameters	Unit	FY19 (Actual)	FY18 (Actual)
Total Assets	Rs. Cr.	461.5	462.1
Total Income*	Rs. Cr.	59.4	65.3
PAT	Rs. Cr.	14.5	8.5
Net Worth	Rs. Cr.	175.5	156.8
Return on Average Assets (RoAA)	(%)	3.1	2.5
Return on Average Net Worth (RoNW)	(%)	8.7	5.7
Total Debt/Tangible Net Worth (Gearing)	Times	1.2	1.0

* Total income equals to Net interest income plus other income

About Inditrade Fincorp Limited (Standalone) - Key Financials

Parameters	Unit	FY19 (Actual)	FY18 (Actual)
Total Assets	Rs. Cr.	177.8	194.5
Total Income*	Rs. Cr.	22.3	15.4
PAT	Rs. Cr.	9.9	7.1
Net Worth	Rs. Cr.	116.1	106.2
Return on Average Assets (RoAA)	(%)	5.3	4.3
Return on Average Net Worth (RoNW)	(%)	8.9	7.0
Total Debt/Tangible Net Worth (Gearing)	Times	0.4	0.8
Gross NPA	(%)	0.0	0.3
Net NPA	(%)	0.0	0.2

* Total income equals to Net interest income plus other income

Any other information

Not Applicable

Applicable Criteria

- Rating of Non-Banking Financing Entities : <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition : <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
September 25, 2018	Working Capital Facility	Long term	25.00	ACUITE BBB+/Stable (Assigned)
	Working Capital Facility	Long term	50.00	ACUITE BBB+/Stable (Assigned)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Assigned)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Assigned)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Assigned)
	Proposed Bank facility	Long term	65.00	ACUITE BBB+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working Capital Facility	NA	NA	NA	25.00	ACUITE BBB+/Stable (Reaffirmed)
Working Capital Facility	NA	NA	NA	50.00	ACUITE BBB+/Stable (Reaffirmed)
Working Capital Facility	NA	NA	NA	20.00	ACUITE BBB+/Stable (Reaffirmed)
Working Capital Facility	NA	NA	NA	20.00	ACUITE BBB+/Stable (Reaffirmed)
Working Capital Facility	NA	NA	NA	20.00	ACUITE BBB+/Stable (Reaffirmed)
Proposed Bank facility	NA	NA	NA	65.00	ACUITE BBB+/Stable (Reaffirmed)

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About Acuite Ratings & Research:

Acuite Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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