

Press Release

Inditrade Fincorp Limited (Erstwhile JRG Fincorp Limited)

January 06, 2021

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable (Reaffirmed)
Non-Convertible Debentures Rated	Rs. 50.00 Cr.
Long term Rating	ACUITE PROVISIONAL A-/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Erratum: In the original PR dated December 31, 2020, the rating on the proposed secured redeemable non-convertible debentures was reaffirmed which was written as assigned, has now been corrected in this version

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 100.00 Cr. bank facilities of Inditrade Fincorp Limited (IFL). The outlook is '**Stable**'.

Further, Acuite has assigned the rating of '**ACUITE PROVISIONAL A-**' read as (**ACUITE Provisional A minus**) on the Rs. 50.00 Cr. Proposed Secured Redeemable Non-Convertible Debenture (NCD) issue of IML. The outlook is '**Stable**'.

The rating on Rs. 50 Cr. Proposed NCD issue of IFL is provisional and the final rating is subject to:

- Appointment of SEBI registered debenture trustee
- Execution of signing of trust deed with the proposed 'Structured Payment Mechanism' (SPM) duly incorporated.
- Receipt of final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions of term sheet.

Analytical Approach:

Acuite has taken the consolidated view on business and financial risk profile of Inditrade Fincorp Limited (IFL) along with Inditrade Capital Limited and its subsidiaries hereinafter referred to as 'Inditrade 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 (IBPL)
- 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.

The rating derives strength from experienced management team and the group's focus on diversification of the business streams. The rating further derives strength from the healthy capitalisation levels supported by group network of Rs. 193.72 Cr (Including minority interest). As on September 30, 2020 both companies, IML and IFL had adequate capitalisation buffers at 29.61% and 75.97% respectively. The rating is however constrained due to challenges faced in operating environment as the group's key product offerings are spread across extending credit to MSME borrowers and microfinance loans towards borrower with limited ability to absorb income shocks.

Rating rationale for the proposed NCD of Rs. 50 Cr:

The difference in rating is taken due to the presence of DSRA and trust structure present in the proposed NCD of Rs. 50 Cr. DSRA is to be maintained at a minimum of 10 percent of the outstanding principal amount. DSRA needs to be maintained in the form of bank fixed deposit, "AAA" rated debt securities, sovereign debt securities, bank guarantee, in any combination, for the duration of the NCDs should help in partly mitigating the risk arising out of the liquidity mismatches to meet the coupon repayments.

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 73.4 percent stake from Barings Private Equity Partners.

The group is engaged in commodity financing and derivatives & commodity trading since 2016 and in microfinance lending since 2017. The group has commenced Micro Small and Medium Enterprises (MSME) Lending in 2018 and plans to start 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. 425 Cr.as on September 30, 2020.

Inditrade Capital Limited's equity capital is listed on BSE with promoter and promoter group holding 71.8 percent as on September 30, 2020 and market capitalisation of Rs. 86.06 Cr

About IFL:

Inditrade Fincorp Limited (IFL, erstwhile JRG Fincorp Limited) is an NBFC-ND engaged in extending loans against Agri commodities since 2016 and commenced merchant trade advancing and digital lending since 2019. The company has its head office in Mumbai and primarily operates through a network of 5 branches across 5 states, namely Maharashtra, Tamil Nadu, Kerala, Karnataka and Telangana.

ICL holds 57 percent and 43 percent is held by private equity investors Athena India opportunities fund and Pavin Ventures as on September 30, 2020. IFLs AUM stood at Rs. 212 Cr. as on September 30, 2020.

Key Rating Drivers

Strengths

• Healthy Capitalisation buffers likely to support near to medium term financial flexibility:

Inditrade Capital group is a mid-sized financial services group primarily focused on lending towards MSME sector and MF lending. The group is also engaged in commodity trading and broking businesses. The key promoter of the group is Mr. Sudip Bandyopadhyay, a chartered accountant with nearly three decades of experience in financial services. The board comprises of experienced professionals with experience in banking and financial services. The group presently has two major verticals, i.e. microfinance lending and lending towards Micro, Small and Medium enterprises (MSME). The MSME finance activities are carried out through IFL and microfinance activities are carried out through IML.

The group's lending AUM (excluding lending to group companies) stood ~Rs. 425 Cr. as on September 30, 2020 as against Rs. 330 Cr. as on March 31, 2019. Microfinance Loans comprised ~59 percent of the overall AUM as on March 31, 2020. The group has hitherto been equity funded, with a Networth of Rs. 193.72 Cr (Including minority interest) and debt of Rs. 229 Cr as on September 30, 2020. Besides the on-book leverage, the group has identified other financing options such as securitization and direct assignment to support its AUM growth. As on September 30, 2020 both companies, IML and IFL had adequate capitalization buffers at 29.61% and 75.97% respectively. In view of the current pandemic stress on asset quality is expected to be elevated, the disruption in the credit profile of the borrowers will be visible on expiry of the moratorium period. In such a situation, Acuite believes that entities with lower leverage will find it relatively easier to raise debt and thereby have better financial flexibility. The group is in talks with various banks and financial institutions to raise debt to support its liquidity and growth plans.

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 and absorb any asset quality pressures over the near term.

Weaknesses

• Susceptibility of the operating performance to current challenges in the operating environment:

The group's key product offerings are spread across extending credit to MSME borrowers and microfinance loans towards borrower with limited ability to absorb income shocks. Majority of the groups MSME borrowers comprise of small traders like kirana shops, salons and other local small business operators. The extent of disruption in the credit profile of these borrowers can be established with certainty only after the expiry of the current moratorium period.

The group's lending AUM (excluding lending to group companies) stood ~Rs. 425 Cr. as on September 30, 2020 as against Rs. 330 Cr. as on March 31, 2019. Microfinance Loans comprised ~59 percent of the overall AUM as on September 30, 2020. The MFI lending segment entails providing loans to the lower economic strata of the society. The pandemic and the consequent lockdowns had resulted in significant logistical challenges, affecting the movement of men and goods. This has impacted the credit profile of most of the borrowers and the impact has been more severe on the lower economic strata of the society who are already vulnerable. The logistical challenges in reaching out to the borrowers either for collections or disbursements have disrupted the operations of most of the MF activities. The intermittent lockdowns and relaxations have resulted in volatility in collection efficiency. Most of the decisions regarding lockdowns are currently taken at the state government and local authority level. IML's top 10 districts, account for ~53 percent of the AUM as on September 30, 2020 with a concentration in Kerala and Tamil Nadu.

In the event of sustained challenges in attaining optimal collection efficiency, the stance of the lenders and investors of PTCs will be critical. Acuite believes that while some of the impacts on collection efficiency are temporary, a portion of the borrowers could suffer a permanent impairment in their livelihood and this, in turn, could impact the portfolio of lenders like Inditrade. Inditrade has been required to extend the moratorium to borrowers in line with the practice followed by other players and as allowed by the regulators. While the MFI sector has demonstrated strong resilience to economic events such as natural calamities and events like demonetization, the players had to endure a high level of credit costs.

Besides microfinance lending the group has exposure towards MSME sector, the lockdowns in the country has resulted in a slowdown in the economy, which has adversely impacted the cash flows of MSME borrowers. Further, the groups MSME portfolio is mainly located in urban and semi-urban regions with 86% concentration in Maharashtra, which has been severely affected by the lockdowns. While the group has been able to collect ~87 percent of its scheduled EMLs from these borrowers in November, 2020, the extension of these lockdowns may result in higher stress on the AUM for lenders such as Inditrade.

Acuite believes the credit costs are likely to be high over the near to medium term; however, the group's capitalization buffers will be adequate to mitigate and absorb any income shocks. 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

The collection of the group was in the range of ~Rs. 40 to 42 Cr. for November, 2020 and December 2020, against scheduled collections Rs. 45 – 50 Cr. The group's monthly commitments (debt servicing obligations, payout to assignment investors and operating expenses) is ~Rs. 30 Cr. Acuite believes that the collection efficiency has gradually picked up with the lockdowns being lifted in most parts of the country. In the interim, the group had unencumbered cash and bank balances of ~Rs. 25 Cr. and

unutilized lines of Rs. 25 Cr. as on November 30, 2020.

The group had availed moratorium for the month of April and May from all its lenders and has commenced repayments to them in June, 2020. The group has demonstrated the ability to raise long term debt of ~Rs. 55 Cr. from Financial Institutions over the past few months and group is in talks with various lenders to raise long term debt under the PCG route and through the windows of RBI.

Acuite believes that the ability to raise long term funding and ability to raise optimal collection efficiency will be critical to maintaining a stable liquidity profile.

Outlook: Stable

Acuite believes that the Inditrade Group will maintain a 'Stable' outlook on account of strong support from the promoter group and capital structure. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while maintaining profitability, asset quality and capitalisation indicators. Conversely, the outlook may be revised to 'Negative' in case of significantly higher than expected asset quality pressures or profitability margins.

About Inditrade Capital Limited (Consolidated) - Key Financials

Parameters	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	456.83	454.45
Total Income*	Rs. Cr.	99.35	55.61
PAT	Rs. Cr.	14.30	15.81
Net Worth	Rs. Cr.	187.55	175.63
Return on Average Assets (RoAA)	(%)	3.14	3.45
Return on Average Net Worth (RoNW)	(%)	7.87	9.46
Total Debt/Tangible Net Worth (Gearing)	Times	1.10	1.19

* Total income equals to Net interest income plus other income

About Inditrade Fincorp Limited (Standalone) - Key Financials

Parameters	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	192.19	177.47
Total Income*	Rs. Cr.	46.89	21.13
PAT	Rs. Cr.	10.63	9.53
Net Worth	Rs. Cr.	126.46	115.89
Return on Average Assets (RoAA)	(%)	5.75	10.74
Return on Average Net Worth (RoNW)	(%)	8.77	16.44
Total Debt/Tangible Net Worth (Gearing)	Times	0.37	0.52
Gross NPA	(%)	1.01	-
Net NPA	(%)	0.75	-

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

None

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instruments/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
September 17, 2020	Working Capital Facility	Long Term	25.00	ACUITE BBB+/Stable (Assigned)
	Term Loans	Long Term	38.00	ACUITE BBB+/Stable (Assigned)
	Term Loans	Long Term	9.37	ACUITE BBB+/Stable (Assigned)
	Proposed Bank facility	Long Term	27.63 (Reduced from Rs. 127.63 Cr)	ACUITE BBB+/Stable (Reaffirmed)
	Proposed Secured Redeemable Non-convertible debentures	Long Term	50.00	ACUITE PROVISIONAL A-/Stable (Assigned)
August 31, 2020	Working Capital Facility	Long Term	25.00	ACUITE BBB+/Stable (Assigned)
	Working Capital Facility	Long Term	50.00	ACUITE BBB+ (Withdrawn)
	Working Capital Facility	Long Term	20.00	ACUITE BBB+ (Withdrawn)
	Working Capital Facility	Long Term	20.00	ACUITE BBB+ (Withdrawn)
	Working Capital Facility	Long Term	20.00	ACUITE BBB+ (Withdrawn)
	Term Loans	Long Term	38.00	ACUITE BBB+/Stable (Assigned)
	Term Loans	Long Term	9.37	ACUITE BBB+/Stable (Assigned)
	Proposed Bank facility	Long Term	127.63	ACUITE BBB+/Stable (Reaffirmed)
December 06, 2019	Working Capital Facility	Long term	25.00	ACUITE BBB+/Stable (Reaffirmed)
	Working Capital Facility	Long term	50.00	ACUITE BBB+/Stable (Reaffirmed)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Reaffirmed)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Reaffirmed)
	Working Capital Facility	Long term	20.00	ACUITE BBB+/Stable (Reaffirmed)
	Proposed Bank facility	Long term	65.00	ACUITE BBB+/Stable (Reaffirmed)
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.)	Bank Name	Ratings/Outlook
Working Capital Facility	Not Applicable	Not Available	Not Applicable	25.00	Yes Bank	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	23-12-2017	10.00%	22-12-2024	38.00	IDFC First Bank	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	31-05-2019	13.50%	25-05-2021	9.37	MAS Financial Services	ACUITE BBB+/Stable (Assigned)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	27.63	Not Applicable	ACUITE BBB+/Stable (Reaffirmed)
Proposed Secured Redeemable Non-convertible debentures	Not Applicable	Not Applicable	Not Applicable	50.00	Not Applicable	ACUITE PROVISIONAL A-/Stable (Reaffirmed)

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About Acuite Ratings & Research:

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