

Press Release

Inditrade Fincorp Limited (Erstwhile JRG Fincorp Limited)

December 06, 2022

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB Downgraded Rating Watch with Developing Implications	-
Non Convertible Debentures (NCD)	50.00	Provisional ACUITE BBB+ Downgraded Rating Watch with Developing Implications	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB**' (read as ACUITE triple B) from '**ACUITE BBB+**' (read as ACUITE triple B plus) on the Rs. 100.00 Cr. bank facilities of Inditrade Fincorp Limited (IFL). The rating is kept as 'Rating Watch with Developing Implications'.

Acuite has also downgraded the long-term rating to '**Provisional ACUITE BBB+**' (read as Provisional ACUITE triple B plus) from '**Provisional ACUITE A-**' (read as Provisional ACUITE A minus) on the Rs. 50.00 Cr. Proposed Non-Convertible debentures of Inditrade Fincorp Limited (IFL). The rating has been kept as 'Rating Watch with Developing Implications'.

The rating of Rs. 50 Cr. on the proposed NCD 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.

Rationale behind rating downgrade:

The rating has been downgraded on account of the stressed asset quality position and deterioration of financial performance at group level. The GNPA and NNPA of IML and IFL at consolidated level stands at 3.54 percent and 1.47 percent as on September 30, 2022 (2.59 percent and 1.09 percent as on March 31, 2022). The consolidated profitability at the parent entity, Inditrade Capital Ltd (ICL) level has deteriorated in FY22 (PAT: Rs. 3.99 Cr) as compared to FY21 (PAT: Rs. 8.75 Cr). ICL's RoAA declined to 0.69 percent for FY22 from 1.83 percent for FY2021. Furthermore, the on-book portfolio of IML and IFL at consolidated level shrunk to Rs. 367.42 Cr as on September 30, 2022 from Rs. 409.58 Cr as on March 31, 2022. The rating is further constrained by the moderate scale of operations and geographical concentration of the loan portfolio.

The rating nevertheless, takes into account the experienced management team and the group's focus on diversification of the business streams.

Rationale behind Rating Watch with Developing Implications:

ICL has announced that the company has received an intimation from Inditrade Microfinance Limited (IML) informing that the board of directors of IML has approved the scheme of amalgamation of Janakalyan Financial Services Private Limited with IML with effect from 1st July, 2022. Janakalyan Financial Services is a Kolkata-based micro lending company. The proposed merger's impact on the business and the financial position of ICL and IML is still uncertain. Hence, the rating of IFL has been placed under 'Rating Watch with Developing Implications'.

About the Company

Inditrade Fincorp Limited (IFL, erstwhile JRG Fincorp Limited) is an NBFC-ND engaged in extending loans against agricultural 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. IFL's total AUM stood at Rs. 321.18 Cr. as on September 30, 2022.

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 its 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 had commenced Micro Small and Medium Enterprises (MSME) Lending in 2018 and rural marketing and DSA business. ICL operates through 7 subsidiaries namely Inditrade Fincorp Limited (erstwhile JRG Fincorp Limited), Inditrade Microfinance Limited, Inditrade Business Consultants Limited, Inditrade Scalerator limited (erstwhile Inditrade commodities Trading Limited), Inditrade Rural Marketing Limited (erstwhile Inditrade Derivatives and Commodities Limited), Inditrade Insurance & Broking Private Limited and Inditrade Technologies Limited (erstwhile Inditrade Housing Finance Limited). The group's consolidated lending AUM stood at Rs. 537.67 Cr. as on March 31, 2022.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view on the business and financial risk profile of 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 Scalerator limited (ISL)
- Inditrade Rural Marketing Limited (IRML)
- Inditrade Insurance & Broking Private Limited (IIBPL)
- Inditrade Technologies Limited (ITL)

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

Key Rating Drivers

Strength

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, rural marketing and DSA business for MSME services as well. 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.

IML and IFL's consolidated lending AUM stood at Rs. 537.67 Cr.as on March 31, 2022. The group has a healthy level of equity with a Networth of Rs. 214.40 Cr (Including minority interest) and debt of Rs. 385.13 Cr as on March 31, 2022. 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 March 31, 2022 both companies, IML and IFL had adequate capitalization buffers (CAR) at 21% and 50% respectively. Acuité 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.

Weakness

Significant moderation in profitability:

ICL's PAT reduced to Rs. 3.99 Cr for FY22 as compared to Rs. 8.75 Cr for FY21. This happened mainly due to the sluggishness in the economy during the pandemic. The company saw an decline in its Net interest income to Rs. 38.30 Cr for FY22 from Rs. 111.52 Cr for FY21. Furthermore, the on-book portfolio of IML and IFL at consolidated level shrunk to Rs. 367.42 Cr as on September 30, 2022 from Rs. 409.58 Cr as on March 31, 2022. Acuité believes, given the challenges, the company's ability to improve its profitability will be crucial.

Moderation in asset quality:

Consolidated IML and IFL's GNPA worsened to 3.54 percent as on September 30, 2022 from 2.59 percent as on March 31, 2022 (2.91 percent as on March 31, 2021). Furthermore, consolidated IML and IFL's NNPA worsened to 1.47 percent as on September 30, 2022 from 1.09 percent as on March 31, 2022 (1.24 percent as on March 31, 2022).

Further the group's MSME portfolio is mainly located in urban and semi- urban regions with high concentration in Maharashtra. The company has total outstanding on book portfolio of Rs.367.42 Cr as on September 30, 2022. Acuité believes the company's ability to manage the additional slippages while maintaining the portfolio collections will be crucial.

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 segment 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. Any changes in the regulatory environment impeding the ability of entities like IML to enforce collections, etc will have an impact on its operational performance. Besides the regulatory risks, the inherent nature of the business renders the portfolios vulnerable to event risks such as natural calamities in the area of operations. The group's consolidated lending AUM stood at Rs. 537.67 Cr.as on March 31, 2022.

Acuité believes the credit costs is likely to be high over the near to medium term. 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.

ESG Factors Relevant for Rating

Inditrade Fincorp Limited (IFL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India. Some of the material governance issues for the sector are policies and practices with regards to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, sustainable financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks.

IFL is primarily engaged in MSME loans which supports financial inclusions by financing of smaller businesses board. The entity maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism and whistle blower policy. The board of directors of the company comprise of 4 independent directors and 1 female director out of a total of 7 directors. The audit committee formed by the entity majorly comprises of independent directors with the objective to monitor and provide an unbiased supervision of the management's financial reporting process. IFL also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair Practice Code as disseminated by Reserve Bank of India's circular.

Rating Sensitivity

- Adverse Movement in asset quality
- Movement in leverage indicators
- Stagnant loan portfolio
- Movement in profitability matrix

Material Covenants

None

Liquidity Position

Adequate

The company's liquidity buffers primarily depend on its cash inflows (collections from clients and loans from banks) vis. a vis. the cash outflows (disbursements, debt servicing commitments, operating expenses). The group had cash and bank balances of Rs. 86.95 Cr. as on March 31, 2022. 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

Not applicable.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Parameters	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	274.07	227.38
Total Income*	Rs. Cr.	55.75	93.51
PAT	Rs. Cr.	0.39	4.95
Net Worth	Rs. Cr.	131.95	131.43
Return on Average Assets (RoAA)	(%)	0.16	2.36
Return on Average Net Worth (RoNW)	(%)	0.30	3.84
Total Debt/Tangible Net Worth (Gearing)	Times	0.97	0.63
Gross NPA	(%)	3.54%	4.02%
Net NPA	(%)	2.25%	2.38%

*Total income equals to Net interest income plus other income

Key Financials (Consolidated)

Parameters	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	649.75	499.11
Total Income*	Rs. Cr.	125.23	146.98
PAT	Rs. Cr.	3.99	8.75
Net Worth	Rs. Cr.	214.40	197.74

Return on Average Assets (RoAA)	(%)	0.69	1.83
Return on Average Net Worth (RoNW)	(%)	1.93	4.54
Total Debt/Tangible Net Worth (Gearing)	Times	1.80	1.30
Gross NPA	(%)	2.59	2.91
Net NPA	(%)	1.09	1.24

**Total income equals to Net interest income plus other income*

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

None

Any Other Information

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/documentation

The rating would be equated to the standalone rating of the entity: ACUITE BBB.

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jan 2022	Term Loan	Long Term	1.50	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	78.23	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	17.42	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	2.85	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- Negative (Reaffirmed)
06 Jan 2021	Proposed Bank Facility	Long Term	27.63	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	9.37	ACUITE BBB+ Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- Stable (Reaffirmed)
	Term Loan	Long Term	38.00	ACUITE BBB+ Stable (Reaffirmed)
31 Dec 2020	Term Loan	Long Term	9.37	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- Stable (Assigned)
	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	38.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	27.63	ACUITE BBB+ Stable (Reaffirmed)
17 Sep 2020	Term Loan	Long Term	9.37	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- Stable (Assigned)
	Term Loan	Long Term	38.00	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	27.63	ACUITE BBB+ Stable (Reaffirmed)
31 Aug 2020	Proposed Bank Facility	Long Term	127.63	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ (Withdrawn)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	9.37	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	50.00	ACUITE BBB+ (Withdrawn)
		Long		

	Working Capital Term Loan	Term	20.00	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	38.00	ACUITE BBB+ Stable (Assigned)
06 Dec 2019	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	65.00	ACUITE BBB+ Stable (Reaffirmed)

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	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	78.23	ACUITE BBB Downgraded Rating Watch with Developing Implications
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	50.00	Provisional ACUITE BBB+ Downgraded Rating Watch with Developing Implications
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.42	ACUITE BBB Downgraded Rating Watch with Developing Implications
National Bank for Agriculture and Rural Development (NABARD)	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE BBB Downgraded Rating Watch with Developing Implications
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.85	ACUITE BBB Downgraded Rating Watch with Developing Implications

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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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