

Press Release
Inditrade Fincorp Limited (Erstwhile JRG Fincorp Limited)
April 08, 2024



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	88.13	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	88.13	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 88.13 Cr. bank facilities of Inditrade Fincorp Limited (formerly JRG FINCORP LIMITED).

Reason for downgrade:

The rating is downgraded basis the written default intimation received from the client on stock exchange for default in the Principal Payment for Non-Convertible Debenture rated by us which was due on 30th March 2024 in Inditrade Microfinance Ltd.

Further, the rating reflects decline in profitability at the group level in FY23. The net profit of the group moderated to losses of Rs. (20.34) Cr. for FY23 as against profits of Rs. 3.68 Cr. for FY22. The same was due to high credit costs coupled with lower total income. The AUM majorly grew due to off-book disbursements in the form of BC partnerships, which was a result of group's increased reliance on partnership model. The company earns fee income from the BC model and 100 percent of the loan exposure is on the partner's book. The group made write-offs heavily in last 3 years impacting the bottom line eventually in FY2023. Due to growing AUM, the operating expenses have seen an uptrend, further creating pressures on the profitability. Further, the rating also considers the continued stress in the asset quality metrics. The rating, nevertheless, takes into account, experienced management team and the group's focus on diversification of the business streams.

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 7 branches across 7 states, namely Maharashtra, Tamil Nadu, Kerala, Karnataka and Telangana. IFL's total AUM stood at Rs. 203.7 Cr. as on September 30, 2023.

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 has 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. 718.74 Cr.as on September 30, 2023.

Unsupported Rating

Not Applicable

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. 718.74 Cr. as on September 30, 2023 (increased from Rs. 537.67 Cr.as on March 31, 2022). The group has been equity funded, with a Networth of Rs. 193.63 Cr. and debt of Rs. 200.08 Cr. as on September 30, 2023. As on September 30, 2023, both companies, IML and IFL had adequate capitalization buffers (CAR) at 23.82 percent and 53.23 percent 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

Decline in profitability

The net profit of the group moderated to losses of Rs. (20.34) Cr. for FY23 as against profits of Rs. 3.68 Cr. for FY22. The same was due to high credit costs coupled with lower total income. The AUM majorly grew due to off-book disbursements in the form of BC partnerships, which was a result of group's increased reliance on partnership model. The company earns fee income from the BC model and 100 percent of the loan exposure is on the partner's book. The group made write-offs heavily in last 3 years impacting the bottom line eventually in FY2023. Acuité believes, given the challenges, the company's ability to improve its profitability will be crucial.

Moderate asset quality metrics

Consolidated IML and IFL's on-book GNPA stood at 2.59 percent as on September 30, 2023

(5.68 percent as on June 30, 2023). The GNPA for IML at a standalone level worsened to 6.01 percent as on September 30, 2023 from 3.05 percent as on September 30, 2022. The same for IFL deteriorated to 6.42 percent as on September 30, 2023 from 3.57 percent as on September 30, 2022. The slippages has remained elevated giving rise to the GNPA.

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. 288.98 Cr. as on September 30, 2023. Acuité believes the company's ability to manage the additional slippages while maintaining the portfolio collections will be crucial.

ESG Factors Relevant for Rating

Inditrade Microfinance (IML) belongs to the NBFC-MFI sector which facilitates lending to the unbanked population. Some of the material governance issues for the financial services sector are policies and practices with regard 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, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks.

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 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. IML 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.

IML aims to empower women by providing micro loans to help them generate additional income opportunities, hence making an economic contribution by way of financial inclusion. It continues to work on several community development initiatives. As per RBI's guidelines on Information Technology framework for NBFCs, IML has constituted an IT strategy committee to ensure adequate control over issues like cyber security and data privacy.

Rating Sensitivity

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

Liquidity Position

Poor

Given the default in Principal payment in NCD, the company could not service its debt obligation on time and therefore the liquidity position remains poor.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	275.11	274.07
Total Income*	Rs. Cr.	37.41	55.75
PAT	Rs. Cr.	(1.40)	0.39

Net Worth	Rs. Cr.	130.69	131.95
Return on Average Assets (RoAA)	(%)	(0.51)	0.16
Return on Average Net Worth (RoNW)	(%)	(1.06)	0.30
Debt/Equity	Times	0.80	0.94
Gross NPA	(%)	4.38	3.54
Net NPA	(%)	2.34	2.25

*Total income equals to Net Interest Income plus other income

Key Financials (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	502.75	649.75
Total Income*	Rs. Cr.	102.09	125.23
PAT	Rs. Cr.	(20.34)	3.68
Net Worth	Rs. Cr.	193.57	214.40
Return on Average Assets (RoAA)	(%)	(3.53)	0.64
Return on Average Net Worth (RoNW)	(%)	(9.97)	1.79
Debt/Equity	Times	1.35	1.80
Gross NPA	(%)	1.93	2.59
Net NPA	(%)	1.07	1.09

*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

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>

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
13 Feb 2024	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Not Applicable Not Applicable (Withdrawn)
	Term Loan	Long Term	10.37	ACUITE BBB- Not Applicable (Upgraded & Withdrawn)
	Term Loan	Long Term	1.50	ACUITE Not Applicable Not Applicable (Withdrawn)
	Term Loan	Long Term	2.85	ACUITE BBB- Stable (Upgraded from ACUITE C Not Applicable)
	Proposed Long Term Bank Facility	Long Term	49.84	ACUITE BBB- Stable (Upgraded from ACUITE C Not Applicable)
	Term Loan	Long Term	8.82	ACUITE BBB- Stable (Upgraded from ACUITE C Not Applicable)
	Term Loan	Long Term	19.57	ACUITE BBB- Stable (Upgraded from ACUITE C Not Applicable)
05 Dec 2023	Term Loan	Long Term	1.50	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	17.42	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional C Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	78.23	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	2.85	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
06 Dec 2022	Term Loan	Long Term	2.85	ACUITE BBB Not Applicable (Downgraded and Rating Watch with Developing Implications)
	Proposed Long Term Bank Facility	Long Term	78.23	ACUITE BBB Not Applicable (Downgraded and Rating Watch with Developing Implications)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional BBB+ Not Applicable (Downgraded and Rating Watch with Developing Implications)
	Term Loan	Long Term	17.42	ACUITE BBB Not Applicable (Downgraded and Rating Watch with Developing Implications)
	Term Loan	Long Term	1.50	ACUITE BBB Not Applicable (Downgraded and Rating Watch with Developing Implications)
07 Jan 2022	Term Loan	Long Term	1.50	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	17.42	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	78.23	ACUITE BBB+ Negative (Reaffirmed)
	Term Loan	Long Term	2.85	ACUITE BBB+ Negative (Reaffirmed)
06	Proposed Long Term Bank Facility	Long Term	27.63	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	38.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long	9.37	ACUITE BBB+ Stable (Assigned)

Jan 2021	Working Capital Term Loan	Long Term	25.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE Provisional A- 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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	49.84	ACUITE C Downgraded (from ACUITE BBB-)
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	03 Aug 2021	Not avl. / Not appl.	31 Jul 2024	Simple	7.05	ACUITE C Downgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Term Loan	11 Jan 2022	Not avl. / Not appl.	25 Jan 2025	Simple	8.82	ACUITE C Downgraded (from ACUITE BBB-)
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	18 Dec 2018	Not avl. / Not appl.	22 Nov 2024	Simple	19.57	ACUITE C Downgraded (from ACUITE BBB-)
MAS Financial Service Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Nov 2021	Simple	2.85	ACUITE C Downgraded (from ACUITE BBB-)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Inditrade Capital Limited (ICL)
2	Inditrade Microfinance Limited (IML)
3	Inditrade Fincorp Limited (erstwhile JRG Fincorp Limited)
4	Inditrade Business Consultants Limited (IBCL)
5	Inditrade Scalerator limited (ISL)
6	Inditrade Rural Marketing Limited (IRML)
7	Inditrade Insurance & Broking Private Limited (IIBPL)
8	Inditrade Technologies Limited (ITL)

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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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