

Press Release

Indel Money Private Limited

March 18, 2021

Rating Assigned



Total Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 85.00 Cr. Bank Facilities and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 15.00 Cr. Commercial Paper Programme of Indel Money Private Limited. The outlook is '**Stable**'.

The rating factors in experienced promoters and management team which enabled the company to grow its Assets under Management (AUM) from Rs. 160.15 Cr. as on March 31, 2018 to Rs. 459.01 Cr. as on December 31, 2020. The rating also factors in the adequate capitalization levels supported by overall Capital Adequacy Ratio of 27.53 percent and networth of Rs. 84.10 Cr. as on December 31, 2020. The rating is also driven by comfortable asset quality metrics, Gross Non-Performing Assets (GNPA) of 0.39 percent as on December 31, 2020. The rating is, however, constrained due to moderate profitability metrics owing to high operating expenses. The company's RoAA marginally improved from 0.53 percent during FY18 to 0.72 percent during FY20, annualized ROAA during 9MFY21 stood at 1.80 percent. The rating is further constrained due to geographic concentration of the company's operations. Going forward the ability of company to profitably scale up its operations, while maintaining asset quality will be key monitorable.

About the company

Indel Money Private Limited (IMPL) is a part of Indel Corporation Limited, promoted by Mr. Mohanan Gopalakrishnan, a business group with investments across financial services, automobile, hospitality, infrastructure development, media, communication and entertainment. Incorporated in 1986, Indel Money Private Limited, is a Non-Deposit Taking Non-Banking Finance Company (ND-NBFC) based out of Kerala. The company is promoted by Mr. Mr. Mohanan Gopalakrishnan, (Managing Director) and his son Mr. Umesh Mohanan (ED & CEO). IMPL provides fundbased services like Gold Loan, MSME Loans, Business Loans (Secured & Unsecured), and a minuscule portion of personal, trader loans. IMPL also provides fee based services by way of money transfer facilities.

As on December 31, 2020, IMPL had operations in 3 states and 1 Union Territory, namely Kerala, Karnataka, Tamil Nadu & Pondicherry with a network of 167 branches.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced promoters and management team**

Indel Money Private Limited (IMPL) commenced its lending operations in 2012. The company is promoted by Mr. Mr. Mohanan Gopalakrishnan (Managing Director), having extensive experience of nearly three decades in banking industry. Along with Mr. Mohanan Gopalakrishnan, the day-to-day operations are overseen by Mr. Umesh Mohanan (Executive director and CEO), son of Mr. Mohanan Gopalakrishnan, having extensive experience in handling global operations of a business across sectors, namely Construction, Petroleum Trading, Commodity Trading, amongst others for over a decade.

Apart from the promoter directors, the board members of IMPL consists of prominent independent directors such as Mr N S Venkatesh (CEO of Association of Mutual Funds in India), Mr C R Sasikumar (former Managing Director of State Bank of Travancore), Mr S Ganesh (former principal chief general manager of RBI), Anantharaman T R (CA) & Mr. Salilvenu (Admin Professional)

Acuite believes that the company will continue to benefit from the extensive experience of the promoters along with the support of Independent Directors.

- **Comfortable Capitalisation levels**

IMPL's capitalization remained comfortable with overall Capital Adequacy Ratio (CAR) of 27.53 percent as on December 31, 2020 as compared to 32.38 percent as on March 31, 2020. Of the overall CAR as on December 31, 2020, Tier I CAR stood at 18.33 percent and Tier II CAR stood 9.20 percent. Despite low internal accruals, the company has comfortable capitalization levels to support the growth prospects in medium term. The gearing of the company has increased from 2.36x as on March 31, 2019 to 3.66x as on March 31, 2020 and further to 4.37x as on December 31, 2020 on account of growth in the loan book which has also been supported by way of external funding through Banks/Financial Institutions. The company has internal gearing threshold of 5x, above which promoters are expected to infuse capital to support the growth trajectory.

Acuite believes that IMPL is adequately capitalized to support its growth prospects over the near to medium term.

- **Comfortable Asset Quality**

IMPL has comfortable asset quality, as reflected in the low Gross Non-Performing Assets (GNPA) of 0.39 percent as on December 31, 2020 and 0.39 percent as on March 31, 2020 as compared to 7.91 percent as on March 31, 2019. Though the collection efficiency is yet to reach the pre-pandemic levels, the on-time portfolio has marginally declined from 99.47 percent as on March 31, 2020 to 98.38 percent as on December 31, 2020.

Acuite believes that the ability of the company to improve collection efficiency will be key monitorable.

Weaknesses

- **Moderate Earning Profile, though improving**

Over the last few years, IMPL's portfolio has increased significantly owing to growth in gold loans. The company's Asset under Management (AUM) has increased from Rs. 160.15 Cr. as on March 31, 2018 to Rs. 336.29 Cr. as on March 31, 2020 and to further Rs. 459.01 Cr. as on December 31, 2020. In order to expand its portfolio and reach, the company has been incurring higher operating expenses for branch expansion. The branch network increased from 128 branches as on March 31, 2018 to 167 as on December 31, 2020 across 54 districts. As a result profitability, though improving, has been muted. Return on Assets (ROAA) improved from 0.53 percent as on March 31, 2018 to 0.72 percent as on March 31, 2020, annualized ROAA for December 31, 2020 stood at 1.80 percent.

Acuite believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

- **Moderate Geographic Concentration**

IMPL commenced its operations in 2012 in the state of Kerala. IMPL gradually expanded to other states in Southern India, namely, Karnataka, Tamil Nadu and Pondicherry. As on December 31, 2020, IMPL had a network of 167 branches across 54 districts. While IMPL has expanded to other geographies, Tamil Nadu constituted ~51 percent of the total AUM as on December 31, 2020 as compared to ~49 percent as on March 31, 2020; followed by Karnataka (24 percent), Kerala (24 percent) and Pondicherry (1 percent). The Top 10 branches constitute ~48 percent of the total AUM. Thus, the company's performance is expected to be sensitive to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. The company has plans to expand its operations in newer geographies which is expected to improve portfolio diversification.

Acuite believes that geographical concentration coupled with moderate earning profile will continue to weigh on the company's credit profile.

Liquidity Position: Adequate

The company had adequate liquidity position with unencumbered Cash and Bank Balances of Rs. 34.58 Cr. as on December 31, 2020. IMPL's monthly collections comprises of interest collections and prepayments by borrowers against which the company has estimated debt servicing obligations of ~Rs. 19 Cr. Due to delays in servicing of Gold Loan Portfolios, the collection efficiency of the company is yet to reach pre-pandemic levels. On the borrowings front, the company had availed moratorium from all of its lenders in the first phase, however has repaid the moratorium dues. Further, the liquidity profile is supported by fresh sanctions of Term Loans received in FY2021 (Till January 31, 2020) of Rs. 74.70 Cr. in the form of Term Loans and Rs. 61.74 Cr. in the form of NCD & Subordinate Bonds through private placements. To support its liquidity requirements, the company raised funds by way of PTCs and Direct Assignments of Rs. 139.26 Crore.

Rating Sensitivities

- Gearing beyond 5x.
- Growth in AUM while maintaining asset quality
- Improvement in Earning Profile
- Changes in Regulatory environment

Material Covenants

IMPL is subject to covenants stipulated by its lenders in respect of various parameters. As per confirmation received from client, vide mail dated February 24, 2021. 'The company is complying with the material covenants imposed by its lenders.'

Outlook: Stable

Acuité believes that IMPL will benefit from its experienced promoters and management team and comfortable asset quality. The outlook may be revised to 'Positive' if there is significantly higher than expected growth in AUM while maintaining asset quality and improving profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in asset quality or profitability parameters.

About the Rated Entity - Key Financials

	Unit	FY20 Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	377.35	262.39
Total Income*	Rs. Cr.	33.12	25.80
PAT	Rs. Cr.	2.32	1.58
Net Worth	Rs. Cr.	78.38	76.06
Return on Average Assets (RoAA)	(%)	0.72	0.69
Return on Average Net Worth (RoNW)	(%)	3.00	2.09
Debt/Equity	Times	3.66	2.35
Gross NPA**	Times	0.36	1.61
Net NPA	Times	0.01	0.96

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

**Calculated on the basis of 180+dpd

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

None

Any other information

None

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>
- Commercial Paper Programme - <https://www.acuite.in/view-rating-criteria-54.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	14.08.2020	9.45%	28.02.2026	35.00	ACUITE BBB/Stable (Assigned)
Cash Credit	07.01.2020	12.80%	Not Applicable	20.00	ACUITE BBB/Stable (Assigned)
Cash Credit	21.05.2020	11.85%	Not Applicable	7.50	ACUITE BBB/Stable (Assigned)
Cash Credit	14.08.2020	9.45%	Not Applicable	15.00	ACUITE BBB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB/Stable (Assigned)
Proposed Commercial Paper	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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