

## Press Release

Indel Money Limited (Erstwhile Indel Money Private Limited)

March 24, 2022



### Rating Upgraded and Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	85.00	ACUITE BBB+   Stable   Upgraded	-
Commercial Paper (CP)	15.00	-	ACUITE A2   Upgraded & Withdrawn
Total Outstanding Quantum (Rs. Cr)	85.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE BBB**' (read as **ACUITE triple B**) to **ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 85.00 Cr. Bank Facilities of Indel Money Limited (IML). The outlook is 'Stable'.

Acuite has upgraded and withdrawn the short term rating from '**ACUITE A3+**' (read as **ACUITE A three plus**) to **ACUITE A2**' (read as **ACUITE A two**) on the Rs. 15.00 Cr Commercial Paper Programme of Indel Money Limited (IML).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company.

### Reasons for Upgrade

The rating derives strength from IML's parentage & promoter support (Indel Corporation Private Limited, holds 99.99% stake in IML), experienced promoters & management team as well as expectations of continued capital support going forward. Capital Adequacy Ratio and gearing stood at 22.72 percent (FY2021:-28.76 percent) and 5.81 times (FY2021:- 4.17 times), respectively as on December 31, 2021. While Acuite takes cognizance of IML's rising gearing levels in tandem with its growing portfolio, the company has plans to raise Rs.440 crore over the next two years via promoter/ investor infusions which is expected to support medium term growth plans. The rating is also driven by comfortable resources raising ability, adequate liquidity buffers and sound asset quality metrics with Gross Non-Performing Assets (GNPA) of 0.96 percent (FY2021:- 0.46 percent) and Net Non-Performing Assets (NNPA) of 0.83 percent (FY2021:- 0.11 percent) as on February 28, 2022. The rating further takes into account improving, though modest profitability metrics marked by Net Interest Margin of 13.39 percent in FY2021 (11.34 percent in FY2020).

The rating is, however, constrained due to small scale of operations and geographical concentration of the company along with highly competitive business of lending against gold. Going forward the ability of company to raise capital, profitably scale up its operations, while maintaining asset quality will be key rating sensitivities.

## About the company

Indel Money Limited (IML) is a part of Indel Corporation Private Limited, promoted by Mr. Mahanan Gopalkrishnan, a business group with investments across financial services, automobile, hospitality, infrastructure development, media, communication and entertainment. Incorporated in 1986, Indel Money Limited, is a Non-Deposit Taking Non-Banking Finance Company (ND-NBFC) based out of Kerala. The company is promoted by Mr. Mahanan Gopalkrishnan (Managing Director) and his son Mr. Umesh Mohanan (CEO). IML provides fund based services like Gold Loan, MSME Loans, Business Loans (Secured & Unsecured), loans to group companies and a small portion of personal & trader loans. IML also provides fee based services by way of money transfer facilities. As on February 28, 2022, IML operates in 6 states, Kerala, Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, Odisha and 1 Union Territory - Pondicherry with a network of 201 branches across 71 districts.

## Analytical Approach

Acuité has considered standalone business and financial risk profile of IML to arrive at the rating.

## Key Rating Drivers

### Strength

- **Promoter support and experienced management team:**

The extensive experience of the promoters and senior management team, with the addition of independent directors, should continue to support the business. Mr. Mohanan Gopalakrishnan (chairman and managing director) is a banking professional with more than 30 years of experience in the Gulf Cooperation Council (GCC). He was also the head of trade finance operations of United Arab Bank for a span of 11 years commencing from 2001. Mr. Umesh Mohanan (executive director and CEO) handled a Middle Eastern conglomerate, spearheading its global operations for 12 years till 2016. Apart from the promoter directors, the board members of IML 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). The company has plans to raise Rs.440 crore over the next two years via promoter/ investor infusions which is expected to support medium term growth plans.

Acuite believes that company will continue to benefit from the extensive experience of the promoters and management team along with Independent Director.

- **Adequate capitalization levels**

As on December 31, 2021, IML's overall CRAR stood adequate at 22.72% consisting of Tier I CAR of 15.13% as compared to 28.76% as on March 31, 2021 and 32.38 percent as on March 31, 2020. Despite low internal accruals, the company has comfortable capitalization levels to support the future growth prospects. The company's capital structure is supported by a Networth of Rs.94.85 Crore as on December 31, 2021. The Networth comprises of equity capital of Rs. 82.15 Crore and reserves and surplus of Rs. 12.70 Crore. Total debt has increased by 50.45 percent in 9MFY2022 as compared to FY2021. This has resulted in gearing of 5.81 times in 9MFY2022 as against 4.17 times in FY2021 and 3.66 times in FY2020. The company has internal gearing limit of 6x. While Acuite takes cognizance of IML's rising gearing levels in tandem with its growing portfolio, the company has plans to raise Rs.440 crore over the next two years via promoter/ investor infusions which is expected to support medium term growth plans. This infusion will also help improve the capital adequacy ratio.

Going forward, Acuité believes that the company's ability to manage its gearing levels will be

a key monitorable and infusion of capital will not only contain gearing levels but also help support business growth.

- **AUM growth & sound Asset Quality**

Loan portfolio outstanding as on February 28, 2022 grew by 18.7 percent YTD to Rs. 609.46 Cr as compared to Rs. 513.48 Cr in FY2021 (FY2020: Rs. 336.29 Cr). Loan against gold contributes 83.69 percent to the total POS followed by SME loans – unsecured (6.76 percent), SME loans-secured (5.74 percent) and other loans (3.81 percent) as on February 28, 2022. The loans have an average tenure of 12 months.

IML has demonstrated sound asset quality, as reflected in the low Gross Non-Performing Assets (GNPA) of 0.96% as on February 28, 2022 (December 31, 2021: 1.33 percent) and 0.46% March 31, 2021 (0.36 percent as on March 31, 2020). The decline in the GNPA was mainly on account of auctions held in December 31, 2021. Further, NNPA stood at 0.83 percent as on February 28, 2022 (December 31, 2021:- 1.16 percent) as compared to 0.11 percent as on March 31, 2021 and 0.01 percent as on March 31, 2020. The company has managed to maintain gold loan GNPA (0.11 percent as on March 09, 2022) owing to digital adoptions and auction policy in place.

Though the collection efficiency is yet to reach the pre- pandemic levels, its on-time portfolio stood at 94.33 percent as on February 28, 2022 as compared to 90.58% as on December 31, 2021 and 98.39% as on March 31, 2021.

Acuite believes that the ability of the company to improve collections while maintaining asset quality will be key monitorable.

- **Improving profitability, albeit modest**

Over the last few years, IML's portfolio has grown significantly owing to growth in gold loans. The company's Asset under Management (AUM) has increased to Rs. 609.46 Crore as on February 28, 2022 from Rs. 513. 48 Crore as on March 31, 2021 and Rs. 336.29 Crore as on March 31, 2020. This was mainly due to increase in branches coupled with strong demand for gold loans. Consequently, there has been improvement in its earnings profile. The company saw an increase in its Net interest income to Rs. 49.62 Crore for FY2021 from Rs. 33.12 Crore for FY2020. NII for 9MFY2022 stood at Rs. 45.09 Cr. This translated into PAT of Rs. 9.50 Cr in FY2021 as compared to Rs. 2.32 Cr in the previous financial year, 9 months PAT for FY2022 stood at Rs. 6.98 Cr. Return on Average Assets (RoAA) as on March 31, 2021 improved to 2.22% from 0.72% as on March 31, 2020. Annualized RoAA stood at 1.60% as on December 31, 2021. On account of branch expansion, Operating Expense to Earning Assets stood at 9.03 percent in FY2021 as against 9.07 percent in FY2020, the same stood at 9.21 percent as on December 31, 2021 (annualized). The operating expense to earning assets is expected to remain at similar level as the company is in the expansion phase.

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

## **Weakness**

- **Modest Scale of Operations and Geographical Concentration**

IML started its operations in the state of Kerala and gradually expanded to the states of Karnataka and Tamil Nadu and has recently expanded to other states like Telangana, Odisha, Andhra Pradesh, thereby reducing the concentration in the state of Kerala. However, major concentration is in the state of Tamil Nadu with 39.84% as on February 28, 2022. The company plans to further expand its operations in states of Rajasthan, Maharashtra and Gujarat by FY2023.

The primary focus of the company is Gold Loan and its target is to increase the gold loan share to 90 percent going forward from 83.69 percent as on February 28, 2022. The company's Asset under Management (AUM) has increased to Rs. 609.46 Crore as on February 28, 2022

from Rs. 513.48 Crore as on March 31, 2021 and Rs. 336.29 Crore as on March 31, 2020. The Top 15 Districts contribute 54.72% of the total loan portfolio outstanding as February 28, 2022. However, the Top 3 districts contribute 22.26% of the total portfolio.

Thus, the company's performance is expected to be sensitive to highly competitive business of lending against gold 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 and portfolio quality in these newer geographies is yet to be tested.

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

### Rating Sensitivity

- Movement in leverage & capitalization metrics
- Profitable scale up in operations
- Movement in asset quality
- Changes in Regulatory environment

### Material Covenants

IML is subject to covenants stipulated by its lenders in respect of various parameters.

### Liquidity Position: Adequate

IML's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated December 31, 2021. IML has liquidity policy of keeping around Rs. 30-40 Cr for meeting debt repayments over next 1.5 – 2 months. Further, the company has expected term loan sanctions of Rs. 110 Cr from public sector banks and it has Rs. 210.27 Cr of borrowings in pipeline constituting term loans and overdraft/CC facilities. The company has average monthly debt obligations of Rs. 33.45 Cr and operating expense of Rs. 5.94 Cr as on February 28, 2022. The company has average monthly collections of Rs. 92.11 Cr (including prepayments) for 6 months ended February 2022.

### Outlook: Stable

Acuite believes that IML 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 continuing challenges in attaining optimal gearing levels and significant deterioration in asset quality or profitability parameters.

### Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	478.67	377.35
Total Income*	Rs. Cr.	49.62	33.12
PAT	Rs. Cr.	9.50	2.32
Networth	Rs. Cr.	87.87	78.38
Return on Average Assets (RoAA)	(%)	2.22	0.72
Return on Net Worth (RoNW)	(%)	11.43	3.00
Total Debt/Tangible Net Worth (Gearing)	Times	4.17	3.66
Gross NPA's	(%)	0.46%	0.36%
Net NPA's	(%)	0.11%	0.01%

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

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

Not applicable

**Any other information**

Not applicable

**Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.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**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Mar 2021	Cash Credit	Long Term	7.50	ACUITE BBB   Stable (Assigned)
	Proposed Commercial Paper Program	Short Term	15.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	35.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	7.50	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	14-08-2020	9.45	Not Applicable	15.00	ACUITE BBB+   Stable   Upgraded
Dhanlaxmi Bank Ltd	Not Applicable	Cash Credit	07-01-2020	12.80	Not Applicable	20.00	ACUITE BBB+   Stable   Upgraded
South Indian Bank	Not Applicable	Cash Credit	21-05-2020	11.85	Not Applicable	7.50	ACUITE BBB+   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Commercial Paper Program	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2   Upgraded & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	14-08-2020	9.45	28-02-2026	35.00	ACUITE BBB+   Stable   Upgraded



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### About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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