



Press Release

ICL Fincorp Limited

March 14, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures (NCDs)	100.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Highly Complex
Sanctioned/Proposed Long term bank loans	50.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	150.00 (Rs One Hundred Fifty Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of Ratings to the proposed NCDs and bank loan facilities of ICL Fincorp Limited (ICLFL) takes into consideration experienced promoters and management, healthy asset quality and adequate capitalisation. However, the ratings are constrained by a Low profitability, lack of diversity in the resource profile and geographical and product concentration risk.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations, while maintaining healthy asset quality, capital position, liquidity, and profitability.

Downward Factors

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced promoters and management team

ICLFL's management is headed by the company's Chairman and Managing Director Mr. K G Anil Kumar, who has more than two decades of experience in the financial services industry. The company's board of directors consists of experienced professionals from different fields such as banking, finance, accounting, law, business administration, media and communications.

Healthy asset quality

ICLFL is primarily a gold loan finance company with an asset under management (AUM) of Rs 302 Crores as of 9MFY22 (at Rs 301.64 Crores in FY21). The company has achieved consistent portfolio growth, for the last four fiscals. As of FY21, the gold loan product contributed to ~94% of the total portfolio, followed by loans against property, personal loans, small business loans and two-wheeler loans. The asset quality of ICLFL is comfortable, with the gross non-performing assets (NPAs) at 1.17% in 9MFY22. Although collections had slowed down due to COVID-19, repayment trends were on an improving trajectory since April 2021.

Adequate capitalisation

ICLFL has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) at 20.98% as of 9MFY22, compared with the minimum regulatory requirement of 15%. The company's net worth was at Rs 72.34 Crores as of 9MFY22 and has consistently increased due to profit retention. However, the gearing of the company was high at 3.8x for FY21. The company's ability to achieve timely equity infusion and improve the capitalisation profile will be a monitorable.



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Key Rating Weaknesses

Product and geographic concentration risk

ICLFL being an NBFC, with a 94% portfolio concentration of gold loans, and the remaining portfolio concentration of loans against property, personal loans, small business loans and two-wheeler loans as of 31 March 2021, is exposed to the inherent risks of gold loan NBFCs, severe competition in the industry and the operational challenges of SMEs and two-wheeler finance. As of 31 March 2021, the company had an AUM of Rs 301.64 Crores, spread across six states and 200 branches. The portfolio was primarily concentrated in Kerala (at ~54% of portfolio), followed by Tamil Nadu (~25% of the portfolio) and Telangana (~10% of the portfolio).

Low Profitability

ICLFL profitability is low with a return on assets (ROA) and return on equity (ROE) of 0.43% and 1.78%, respectively, for FY21 (at 0.22% and 0.55%, respectively, in FY20). The net interest margin has consistently weakened in last 3 years from 26.38% in FY18 to 14.50%. The PAT was at Rs 0.25 Crores for 9MFY22, compared with Rs 1.9 Crores as of FY21. Provision coverage ratio for 9MFY22 stood very low at 9.40% (12.67% for FY21).

Lack of diversity in resource profile

ICLFL is highly dependent on funding from subordinate debt and retail NCDs and has raised funds through these routes on a private placement basis. However, the company has got a recent sanction of Rs 25 crores from State Bank of India and is in further talks with other banks which will help the company to diversify its funding



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profile. ICLFL's ability to improve and diversify its resource profile, raise bank loans in a timely manner, and thereby, improve its liquidity profile will be a key monitorable.

Analytical Approach: Standalone

IVR has considered the standalone approach while assessing the financial and business risk profile of ICL Fincorp Limited.

Applicable Criteria: Rating Methodology for: [Financial Institutions/NBFCs | Infomerics Ratings](#)

Liquidity – Adequate

The company is adequately capitalized with a CAR (%) of 20.98% as on December 31st, 2021, and Networth of Rs 72.34 Crores. Also, it has adequately matched asset liability profile as on October 30, 2021 with majority of the portfolio being gold loans (94%) which is short term in nature and borrowings in the form of NCDs which are long term.

As on 31 Dec 2021, the company has liquidity of Rs 38.39 Crore. The ALM profile also has no negative cumulative mismatches across various buckets upto 5 years. With improving collection efficiency and lender base, the company will be able to maintain adequate liquidity.

About the Company

ICL Fincorp Ltd (ICLFL), based in Thrissur, Kerala, was established in 1991 and started the Non-Banking Financial Corporation (NBFC) operation in 1999. The company acquired a Chennai-based NBFC called Jawahar Finance Company and renamed it as Irinjalakuda Credits and Leasing Company Limited. ICLFL was acquired by the current promoter, Mr K G. Anilkumar, in 2004. The company was renamed to ICL Fincorp Ltd in June 2016. The company started lending against consumer durables and later ventured into gold loans in 2013. ICLFL currently offers



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gold loans (~95% of portfolio), small business loans, personal loans, loans against property and two-wheeler loans. The promoter is also engaged in the real estate, chit funds, and tours and travel businesses through separate companies. ICLFL has a presence across five states in South India, namely, Kerala, Tamil Nadu, Karnataka, Telangana and Andhra Pradesh.

Financials (Standalone):

(Rs. Crore)

For the year ended/As on*	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Income	57.47	75.40
PAT	0.63	1.30
Tangible Networkth	70.03	73.30
Total loan assets	249.46	300.50
Total debt	232.70	275.00
Gearing (Times)	3.32	3.80
Total CRAR (%)	20.69	19.68
Gross NPA (%)	1.17	1.50
Net NPA (%)	1.06	1.31

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	NCDs	Long Term	100.00	IVR BB+/Stable (IVR Double B Plus with	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
				Stable Outlook)			
2.	Sanctioned/Proposed bank loans	Long Term	50.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)			

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed NCDs	-	-	-	100.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Sanctioned/ Proposed bank loans	-	-	-	50.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/ICL-Fincorp-lenders-mar22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
Security name		Retail NCDs (Private placement) to be issued in 4 series with different tenor/coupon rates
Objects of the Issue / Details of the utilization of the proceeds		The proceeds of the issue will be utilised for Capital expenditure/working capital
Coupon Rate		11.50 – 13.66%
Tenor		13 – 65 months
	Non - Financial Covenant	
	Call option	Nil
	Financial Covenant	Not Available

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.