



Press Release

Jacinth Finvest Limited

June 13, 2022

Ratings

Instrument / Facility	Ratings	Rating Action	Complexity Indicator
Issuer Rating	IVR BB+ (Is)/Stable (IVR Double B plus (ISSUER) with Stable Outlook)	Assigned	Not applicable

Details of Facilities: Not Applicable

Detailed Rationale

The assignment of Issuer rating of Jacinth Finvest Limited (JFL) has considered the experienced promoters, comfortable capitalisation, adequate systems and processes and adequate liquidity. However, the rating is constrained by low scale of operations given the regional concentration of operations, moderate asset quality, lack of diversity in resource profile.

Key Rating Sensitivities:

Upward Factors: Substantial and sustained growth in the scale of operations, while maintaining healthy asset quality, capital position, liquidity, and profitability.

Downward Factors: Adverse movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost and profitability of the Company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters: Jacinth Finvest Limited (JFL) is a Public Limited Company registered with Reserve Bank of India as non-deposit taking Non-Banking Financial Company serving the Micro and Small businesses segment since 2007. Mr. M. Udaia Kumar is the founder and Non-Executive Chairman of the company. He has over 35 years of experience in the field of financial inclusion, sustainable and development financing. He has



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a deep insight into the Indian rural demographics having seen various microfinance cycles. He is supported by a well experienced and qualified management team.

Comfortable capitalisation: JFL has a comfortable capitalisation profile, with the capital to risk weighted assets ratio (CRAR) at 70.38% as on 31 March 2022, compared with the minimum regulatory requirement of 15%. The company's net worth was at Rs 37.74 Crores as on 31 March 2022 with collection efficiency of 97%. The gearing of the company is also comfortable at 0.30c for FY22.

Strong systems and processes in place: Over the years, JFL has put in place strong systems and processes which has helped them to maintain the quality of the portfolio. Jacinth offers secured lending product under the brand name of "SRUJAN Loans". Jacinth has established an effective Centralized Loan Approval Mechanism (CLAM) with technical assistance from Women's World Bank & Deutsche Bank. Further, Jacinth has developed an Indigenous credit score card to access and appraise the business and analyse entrepreneurs' ability and willingness to repay the loan. It has also implemented "Online Loan Monitoring System" (OLMS), which supports smooth and effective flow of working of the different functional areas of the business loan product, helps them in effective recovery management and provides auto SMS facility for due date alerts and customized messaging facility through software.

Key Rating Weaknesses

Low scale of operations given regional concentration of operations: JFLs scale of operations remain low given the regional concentration with Andhra Pradesh and Telangana contributing to 63% and 21% of total AUM respectively. As of 31 March 2022, the company had achieved an AUM of Rs 53.90 Crores which includes Rs 25.81 Crores of own book portfolio and Rs 28.09 Crores of managed book portfolio/BC portfolio. Going forward the ability of the company to scale up its operations with foraying into new states/new product segments will be a key rating monitorable.



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Moderate asset quality: Given the impact of COVID 19 on the MSME segment and the collections, the NPAs of the company increased in FY21 with GNPA and NNPA increasing to 5.64% and 4.56% respectively from 3.29% and 2.74% respectively in FY20. However, the same has improved in FY22 with GNPA and NNPA improved to 3.86% and 2.54% respectively in FY22 with improved collection efficiency which currently stands at 97%. Given that 100% of the portfolio is secured with an average LTV of 50%, the ability of the company to make timely recoveries and maintain a healthy asset quality will be a key monitorable.

Lack of diversity in resource profile: JFL is dependent on funding from financial institutions and NBFCs and hence their cost of borrowing remains high which has impacted their profitability. JFL's ability to improve and diversify its resource profile, raise bank loans in a timely manner and lower rates, and thereby, improve its liquidity profile will be a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Non-Banking Finance companies](#)

[Criteria for assigning outlook](#)

Liquidity –Adequate

The company is adequately capitalized with a CAR (%) of 70.38% as on March 31st, 2022, and Networth of Rs 37.74 Crores. As on 31 Mar 2022, the company has liquidity of Rs 0.46 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



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Jacynth Finvest Limited (JFL) is a Public Limited Company registered with Reserve Bank of India as non-deposit taking Non-Banking Financial Company serving the Micro and Small businesses segment since 2007. The prime objective of the company is to ensure adequate and timely credit to MSEs (Micro and Small Enterprises) who traditionally lack access to finance and banking services to scale up and grow their business. Company operates in 5 states of Andhra Pradesh, Telangana, Karnataka, Chhattisgarh, and Maharashtra.

Financials (Standalone):

For the year ended/As on*	(Rs. Crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Income	7.60	7.50
PAT	0.10	0.30
Tangible Net worth	37.50	37.70
Total loan assets	21.90	26.10
Total debt	5.30	9.70
Gearing (Times)	0.10	0.30
CRAR (%)	81.01	70.38
GNPA (%)	5.64	3.86
NNPA (%)	4.56	2.54

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			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 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Issuer Rating	Long Term	Nil	IVR BB+(Is)/ Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Issuer Rating	-	-	-	-	IVR BB+(Is)/Stable



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

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

