



Press Release

Trucap Finance Limited (TFL)

March 30, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities	91.31	IVR BBB+/ Stable [IVR Triple B Plus with stable outlook]	Reaffirmed	Simple
Long Term Fund Based Bank Facilities	22.08	IVR BBB+/ Stable [IVR Triple B Plus with stable outlook]	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities	71.61	IVR BBB+/ Stable [IVR Triple B Plus with stable outlook]	Reaffirmed	Simple
Total	185.00	Rupees One Hundred and Eighty-Five Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics has reaffirmed/assigned to the bank facilities of Trucap Finance limited continues to derive its strengths from moderate albeit improving asset quality, strong capitalisation, diversified resource funding profile and experienced promoters backed by reputed board members. However, the rating strengths are partially offset by limited track record of the company, competitive and regulated nature of industry and pressure on profitability.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained scaling up its AUM, while improving the asset quality indicators along with adequate capital position and profitability.

Downward Factors

- Any substantial decline in scale of operations, asset quality and/or capitalization levels.

Key Rating Drivers with detailed description



Press Release

Key Rating Strengths:

Moderate albeit improving asset quality:

TFL's asset quality has remained stable with GNPA and NNPA has improved during FY23 to 2.19% and 1.84% respectively (FY22:3.02% and 2.02% respectively) with lower delinquencies and concentration towards secured loans. Infomerics notes that TFL able to maintain moderate asset quality despite substantial increased in AUM during FY23. Further, as of December 31, 2023, the gross NPA further improved to 1.4%.

Strong Capitalisation:

TFL's capitalisation remained strong with CRAR is at 33.05% at the end of 1HFY24 as compared to 34.40% in FY23. With expected periodic equity infusion, CRAR is expected to remain strong and well above regulated levels through FY24-FY26.

Diversified resource funding profile:

The funding profile comprises of term loans from NBFCs and banks and Non-Convertible Debentures (NCDs) as of March 2023. In FY23 the company's lender count has increased to more than 34 from 29 in FY22 (43 in 9MFY24) and further the company has also comfortable sanctions in pipeline in the projected period which is expected to support its growth. Going forward, TFL capacity to raise funds in a timely manner to support its liquidity profile and projected growth plans with the focus on reducing cost of capital will be a key credit monitorable.

Experienced promoters backed by reputed board members:

TFL is managed by experienced promoters and management who has cumulative experience of more than 4 decades in the industry. They are supported by other seasoned professionals in the industry on the management panel. The Board of Directors actively participates in overseeing the company's business operations, including strategic decision-making, policy formulation, and risk management, ensuring robust governance and guidance.

B. Key Rating Weaknesses

Pressure on profitability due to high-cost income ratio and high interest cost:



Press Release

TFL NIMs have been impacted during FY23 with NIM at 11.23% as compared to 10.45% in FY22 due to high cost-income ratio which has increased to 92% in FY23 (FY22:74%). Cost-Income ratio has increased as TFL has expanded to its branch base as they have increased its branch base from 37 in FY22 to 78 in FY23. During 9MFY23 NIM as well as NII has impacted due to high borrowing cost and TFL was not able to pass on high interest cost as its loan book has fixed rate and TFL was not able to pass on higher interest cost to its customers.

Limited track record of the company and regulatory risks

TFL has limited track record with around 7 years of operations. Initially TFL started with LAP loans and from 3QFY21 onwards TFL added gold loans into its portfolio. TFL exposes to regulatory risks as TFL needs to operate with the strict regulations from the regulators.

Competitive nature of industry:

TFL is exposed to stiff competition from other NBFCs and banks. The lending industry focused on SMEs and small ticket loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, TFL's professional management and focused approach towards SME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria for rating Outlook](#)

[Rating Methodology for Financial Institutions/NBFC](#)

[Criteria on default recognition](#)

Liquidity – Adequate

As of December 31, 2023, the asset-liability management statement of the company indicated no negative cumulative mismatches in all the buckets. On February 28, 2024, the company had cash and cash equivalents of Rs. 85.30 crore against debt repayments of Rs.37.78 crore due for the month ending March 2024. Additionally, as of December 31, 2023, the company maintained a strong capital adequacy ratio (CAR) of 30%.

About the Company:

Incorporated in 1994, Dhanvarsha Finvest Limited is a listed entity and RBI registered NBFC.



Press Release

A change in management was effective from June 2017 and Wilson Group took over the reins. The company is listed on the BSE. The company's name got changed from Dhanvarsha Finvest Limited to TruCap Finance Limited (TFL) effectively from August 4, 2022.

Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	69.82	123.27
PAT	7.37	5.54
Total Debt	286.48	442.52
Total Net-worth	160.81	208.87
Total Loan Assets	301.81	453.44
Ratios		
ROTA (%)	2.35	1.01
Overall Gearing Ratio (x)	1.78	2.12
GNPA (%)	3.02	2.19
NNPA (%)	2.02	1.84
CAR (%)	39.43	34.40

**Classification as per Infomerics Standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



Press Release

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Date(s) & Rating(s) assigned in 2023- 24	Rating History for the past years		
		Type	Amount (Rs. crore)	Rating		Date(s) & Rating assigned in 2022-23	Date(s) & Rating assigned in 2021-22	Date(s) & Rating assigned in 2020- 21
1.	Term Loan	Long Term	93.39	(March 30, 2024) IVR BBB+/Stable	(May 16, 2023) IVR BBB+/Stable	(Jan 13, 2023) IVR BBB+/Stable (June 17, 2022) IVR BBB/Positive	--	(Mar 19, 2021) IVR BBB/ Stable (Jan 15, 2021) IVR BBB- /Positive
2.	Overdraft	Long Term	20.00	(March 30, 2024) IVR BBB+/Stable	(May 16, 2023) IVR BBB+/Stable	--	--	--
3.	Proposed	Short Term	71.61	(March 30, 2024) IVR BBB+/Stable	(May 16, 2023) IVR BBB+/Stable	(Jan 13, 2023) IVR BBB+/Stable (June 17, 2022) IVR BBB/Positive	--	(Mar 19, 2021) IVR BBB/ Stable (Jan 15, 2021) IVR BBB- /Positive
4.	Non-Convertible Debentures	Long Term	5.00	--	--	--	(Mar 17, 2022) Withdrawn	(Mar 19, 2021) IVR BBB/ Stable
5.	Proposed NCDs	Long Term	70.00	--	--	--	(Mar 17, 2022) Withdrawn	(Mar 19, 2021) IVR BBB/ Stable (Jan 15, 2021) IVR BBB- /Positive (June 04, 2020) IVR BBB- Stable
6.	Overdraft	Short Term	3.00	--	--	--	--	(Mar 19, 2021) IVR A3+



Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Press Release

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	--	--	--	93.39	IVR BBB+/ Stable
Overdraft	--	--	--	20.00	IVR BBB+/ Stable
Proposed	--	--	--	71.61	IVR BBB+/ Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Trucap-Finance-mar24.pdf>

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 <https://www.infomerics.com/>.