



## Press Release

**Hedge Finance Limited (HFL)**

**April 02, 2025**

### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Non-Convertible debentures (NCDs)	140.00 (Increased from 105.00)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating Reaffirmed	Simple
Proposed Non-Convertible debentures (NCDs)	60.00 (Decreased from 100.00)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating Reaffirmed	Simple
Non-Convertible debentures (NCDs)	0.00 (Decreased from 5.00)	--	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Withdrawn*	Simple
<b>Total</b>	<b>200.00</b> <b>(Rupees Two Hundred crore Only)</b>				

\*Rating is being withdrawn based on the request of the company as the NCDs are fully redeemed and no due certificate has been received from debenture trustee. The withdrawal of the ratings is in line with Infomerics withdrawal policy.

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

### Detailed Rationale

HFL has raised fresh NCDs amounting to Rs. 40.00 out of proposed NCDs amounting to Rs. 100.00 crore rated by Infomerics crore in FY25 starting from 11 October 2024. Also, there is also reduction in principle amount of rated NCDs rated due to redemption of NCDs. Accordingly, the proposed and outstanding instruments have been reclassified.

Reaffirmation of ratings assigned to the NCDs of Hedge Finance Limited continues to derive comfort from the comfortable capitalisation, improving earnings profile and experienced



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management. However, the ratings are constrained by weak asset quality, leveraged capital structure and moderate scale of operations given the regional concentration.

Outlook is stable on account of consistent growth in AUM and earnings profile. IVR expects the growth momentum to continue backed by adequate capitalisation and proposed borrowing plans.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in AUM while maintaining healthy asset quality, adequate capitalisation and liquidity.
- Improvement in asset quality with GNPA decreasing below 3% and gearing decreasing below 3x.

#### **Downward Factors**

- Adverse movements in collection efficiency resulting in increased credit costs.
- Substantial deterioration in AUM levels, profitability, capitalisation levels, liquidity and asset quality.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Comfortable capitalisation**

On the back of consistent capital infusion by promoters coupled with retention of profits, HFL has been able to maintain comfortable capitalisation with total CRAR of 23.40% at the end of March 31, 2024, (March 31, 2023: 23.37%) and tangible networth of Rs 45.73 crore for FY24(refers to period April 1st, 2023, to Mar 31, 2024) (FY23: Rs 41.47 crore).

##### **Improving earnings profile**



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HFL's net interest income and PAT have improved to Rs 19.48 crore and Rs 5.46 crore respectively during FY24 when compared to net interest income of Rs 14.70 crore and PAT of Rs 2.38 crore in FY23 due to growth in AUM and increase in NIM which has improved to 9.15% in FY24 as compared to 8.27% in FY23.

### **Experienced promoters**

Hedge Finance Limited is promoted by Mr. Alex K Babu, Founder, Chairman and Managing Director of the company. He has over a decade of rich experience in capital markets & is well supported by an experienced board and management team. The board of the Company was reconstituted in September 2019, by adding experienced bankers with the objective of strengthening the board and to focus on the retail financing space.

### **Key Rating Weaknesses**

#### **Weak asset quality**

HFLs portfolio is exposed to high-risk product categories viz., corporate loans and MSME loans, which together contribute to ~50% of total AUM. These sectors were severely impacted by COVID 19 and hence the portfolio was restructured. Also, HFLs loan portfolio has higher percentage of higher ticket sized loans where the risk of delinquencies is higher given slippage from a single account can result in increased NPAs. Asset quality of HFL remains weak with GNPA of 4.44% and NNPA of 2.99% at the end of FY24 (FY23: GNPA:4.67% and NNPA:3.72%). Going forward, ability to improve its asset quality with timely recoveries will be a key monitorable.

#### **Moderate scale of operations given the regional concentration**

HFLs total AUM has consistently grown in the last 3 years from Rs 164.50 crore in FY22 to Rs 199.90 crore in FY23 and further to Rs 237.16 crore in FY24 on the back of increased disbursements. Despite consistent growth witnessed in HFLs AUM in the last 3 years, the scale of operations remains moderate given the regional concentration of operations with Kerala contributing to ~99% of total AUM. Going forward, the ability of the company to foray into new states and reduce its geographical concentration will be a key rating monitorable.



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### **Highly leveraged capital structure**

HFLs capital structure remains highly leveraged with gearing of 5.07x as on 31 March 2024 (31 March 23:4.65 x) despite regular capital infusion from promoters since most of the growth in AUM is debt funded. However, IVR derives comfort as NCDs, and subordinated debt are subscribed by promoters, friends and relatives and as per management going forward also HFL will raise NCD's and subordinated debt from promoters, friends and relatives. Going forward, the ability of the company to infuse capital and deleverage the capital structure will be a key rating monitorable.

**Analytical Approach:** Standalone

**Applicable Criteria:**

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

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Policy on withdrawal of ratings](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

**Liquidity:** Adequate

HFLs liquidity remains adequate with cash and cash equivalents of Rs 33.57 crore and tangible Networth of Rs 45.73 crore as on 31 March 2024. As on 31 March 2024, VCCL has an adequately matched ALM profile with no negative cumulative mismatches across all the buckets.

### **About the company**

Hedge Finance Limited (HFL) is a Kerala based non-deposit taking NBFC, registered with the Reserve Bank of India. The company is a part of the Hedge Group of companies, founded by Mr. Alex K Babu in 2011. The group includes Hedge Equities Ltd, Hedge Commodities Ltd



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and Hedge School of Applied Economics. The group started its operations in 2008 & provides services in capital markets, wealth management, and other investment products. HFLs initial focus was to finance against shares and mutual funds, complementing the business of its group company, Hedge Equities Ltd. However, in 2019, HFL diversified into products including loans against property, business loans, personal loans, loans against hypothecation of equipment/ machinery/ infrastructure/ vehicles and MSME loans.

### Financials (Standalone)\*:

Rs in crore

For the year ended/As on*	31-03-2023	31-03-2024
	(Audited)	(Audited)
Total Income	39.35	50.46
PAT	2.38	5.46
AUM	199.09	237.16
Tangible Networth	41.38	45.73
Total debt	192.62	231.83
<b><u>Ratios</u></b>		
NIM (%)	8.27	9.15
ROTA (%)	1.10	2.14
Interest Coverage (Times)	1.17	1.32
Total CRAR (%)	23.47	23.40
GNPA (%)	4.67	4.44
NNPA (%)	3.72	2.99
Overall Gearing (Times)	4.65	5.07

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 –	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (27 April 2022)
1.	Proposed Non-Convertible Debentures	Long Term	60.00	IVR BB+/Stable	(23 July 2024) IVR BB+/Stable	-	-
2.	Non-Convertible Debentures	Long Term	140.00	IVR BB+/Stable	(13 June 2024) IVR BB+/Stable (23 July 2024) IVR BB+/Stable	(20 June 2023) IVR BB+/Stable	(27 April 2022) IVR BB+/Stable (25 Oct 2022) BB+/Stable
3.	Proposed Non-Convertible Debentures	Long Term	0.00	-	-	(20 June 2023) IVR BB+/Stable	(27 April 2022) IVR BB+/Stable (25 Oct 2022) BB+/Stable

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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





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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 and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/Instrument	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
NCDs	INE01ZK07FS1	02-Aug-22	10.50%	02-Aug-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07FT9	02-Aug-22	11.00%	02-Aug-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07GO8	27-Oct-22	10.50%	27-Oct-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07GN0	27-Oct-22	11.00%	27-Apr-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07HK4	01-Mar-23	10.50%	01-Mar-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07HJ6	01-Mar-23	11.00%	01-Sep-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07IH8	28-Jun-23	10.50%	28-Jun-28	5.00	Listed	IVR BB+/ Stable



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NCDs	INE01ZK07IG0	28-Jun-23	11.00%	28-Dec-28	5.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07JB9	18-Sep-23	10.25%	18-Mar-26	5.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07JC7	18-Sep-23	10.50%	18-Jun-27	5.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07KE1	05-Jan-24	10.00%	05-Apr-25	5.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07KD3	05-Jan-24	10.25%	05-Jul-26	7.50	Listed	IVR BB+/Stable
NCDs	INE01ZK07KC5	05-Jan-24	10.50%	05-Oct-27	7.50	Listed	IVR BB+/Stable
NCDs	INE01ZK08588	18-Mar-24	11.00%	18-Mar-26	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK08604	23-May-24	10.50%	23-May-26	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK08596	23-May-24	11.00%	23-May-29	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07KP7	11-10-2024	10.25%	11-02-2027	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK07KO0	11-10-2024	10.50%	11-04-2030	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK08620	24-01-2025	10.30%	24-11-2026	10.00	Listed	IVR BB+/Stable
NCDs	INE01ZK08612	24-01-2025	11.00%	24-01-2030	10.00	Listed	IVR BB+/Stable
NCDs	Proposed NCDs	--	--	--	60.00	TBD	IVR BB+/Stable
NCDs	INE01ZK07JD5	18-09-2023	10.00%	18-12-2024	5.00	Listed	Withdrawn

**Annexure 2: Facility wise lender details – Not Applicable**

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:**

The below mentioned covenants are uniform across all NCD issues rated by Infomerics.





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<b>Financial Covenants</b>	<p><b>Default in payment.</b> In case of default in payment of Interest and/or principal redemption on the due dates, the additional interest of 2% p.a. over the Coupon rate will be payable by the Company for the defaulting period.</p> <p><b>Delay in listing</b> In case of delay in listing of the NCDs beyond 20 days from the Deemed Date of Allotment, the Company will pay penal amount of at least 1 % p.a. over the Coupon Rate from the expiry of 30 days from the Deemed Date of Allotment till the listing of such NCDs to the investor.</p>
<b>Non-Financial Covenants</b>	<p><b>Transferability</b> Subject to provisions of Memorandum of Association and Articles of Association of the Company, the Companies Act, 2013 and other applicable laws, the NCDs shall be freely transferable.</p>
<b>Security (For Secured NCDs)</b>	<p>The NCDs shall be fully secured by way of creation of first pari passu hypothecation over all the assets including receivables of the company. The company shall maintain minimum security cover of 100% at all times. The company proposes to create the charge in favor of the debenture trustee within 60 days from the deemed date of allotment of NCDs. In case of delay in execution of debenture trust deed the company will pay penal interest of at least 2% per annum over the coupon rate to the NCD holders till the execution of debenture trust deed.</p>

### Draft Term sheet for the proposed NCDs of Rs 60.00 crore:

<b>Issuer</b>	Hedge Finance Limited
<b>Type of Instrument</b>	Non-Convertible Debentures
<b>Nature of Instrument (Secured or Unsecured)</b>	Secured / Unsecured
<b>Seniority (Senior or Subordinated)</b>	Senior
<b>Listing (name of stock Exchange(s) where it will be listed and timeline for listing)</b>	BSE
<b>Issue Size</b>	Up to 60.00 crores in multiple tranches
<b>Objects of the Issue / Purpose for which there is requirement of funds</b>	The Object of the Issue is to meet the working capital requirements of the Company
<b>Coupon / Dividend Rate</b>	9% - 14%
<b>Coupon/Dividend Payment Frequency</b>	Monthly / Annually / Cumulative
<b>Coupon Type (Fixed, floating, or other structure)</b>	Fixed



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<b>Tenor</b>	12 months – 84 months
<b>Covenants</b>	<p><b>Default in payment</b> In case of default in payment of Interest and/or principal redemption on the due dates, the additional interest of 2% p.a. over the Coupon rate will be payable by the Company for the defaulting period.</p> <p><b>Delay in listing</b> In case of delay in listing of the NCDs beyond 20 days from the Deemed Date of Allotment, the Company will pay penal amount of at least 1 % p.a. over the Coupon Rate from the expiry of 30 days from the Deemed Date of Allotment till the listing of such NCDs to the investor.</p> <p><b>Transferability</b> Subject to provisions of Memorandum of Association and Articles of Association of the Company, the Companies Act, 2013 and other applicable laws, the NCDs shall be freely transferable.</p>

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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](http://www.infomerics.com).