Infomerics Ratings

Press Release

Jacinth Finvest Limited (JFL)

July 19, 2023

Ratings

Instrument/Facility	Current Ratings	Rating Action	Complexity Indicator
Issuer Rating	IVR BB+(Is)/ Positive (IVR Double B Plus (Issuer) with Stable outlook)	Reaffirmed with revision in outlook	Not applicable

Details of Facilities: Not Applicable

Detailed Rationale

The reaffirmation of Issuer rating of Jacinth Finvest Limited (JFL) continues to derive comfort from 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, average albeit improving asset quality and lack of diversity in resource profile.

The revision in outlook from "Stable" to "Positive" is on account of improvement in overall financial profile in FY23 which is expected to continue in the near term.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Movement in the collection efficiency which impacts the asset quality significantly thereby increasing the credit cost for the Company.
- Substantial decline in scale of operations, capital position, liquidity and profitability

Detailed Description of Key Rating Drivers

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 Executive Chairman of the company. He has over 35 years of experience in the field of financial inclusion, sustainable and development financing. He has a deep insight into the Indian rural demographics having seen various microfinance cycles. He is also the promoter of an MFI, "Share Microfin Limited". He is well 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 59.56% as on 31 March 2023, compared with the minimum regulatory requirement of 15%. The company's net worth stood at Rs 40.78 Crores as on 31 March 2023 with average collection efficiency of ~97%. The gearing of the company is also comfortable at 0.45x for FY23.

Adequate 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 also provides auto SMS facility for due date alerts and customized messaging facility through software.

Key Rating Weaknesses

Average albeit improving asset quality.

Asset quality of the company remains average albeit improvement shown in FY23. GNPA and NNPA decreased to 1.83% and 0.51% respectively in FY23 from 3.86% and 2.54% respectively for FY22. PCR stands at 72.13% in FY23 as against 34.50% as on 31 March 2022. 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.

Low scale of operations given regional concentration of operations

JFLs scale of operations are low given the regional concentration with Andhra Pradesh and Telangana contributing to 61% and 26% of total AUM respectively. As of 31 March 2023, the company had achieved an AUM of Rs 84.49 Crores which included Rs 32.81 Crores of own book portfolio and Rs 51.68 Crores of managed book portfolio. Going forward the ability of the company to scale up its operations with foraying into new states will be a key rating monitorable.

Lack of diversity in resource profile

JFL is highly 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 thereby, improve its liquidity profile will be a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Non-Banking Finance companies

Criteria of assigning rating outlook

Liquidity - Adequate

The company is adequately capitalized with a CAR (%) of 59.26% as on March 31st, 2023, and Networth of Rs 40.78 Crores. As on 31 Mar 2023, the company has liquidity of Rs 0.69 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

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. 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):

		(Rs. Crore)
For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Income	7.55	12.57
PAT	0.21	1.26
Tangible Net worth	37.67	40.78
Total AUM	53.90	84.49
Total debt	9.73	18.35
Gearing (Times)	0.26	0.45
CRAR (%)	70.38	59.56
GNPA (%)	3.86	1.83
NNPA (%)	2.54	0.51

*Classification as per Infomerics standards

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 June 13, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Issuer Rating	Long Term	0.00	IVR BB+(Is)/ Positive	IVR BB+(Is)/ Stable	-	-

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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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Annexure 1: Details of Facilities/Instrument: Not applicable

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

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.