April 04, 2025

Agro Indus Credits Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Cash credit	10.00	10.00	[ICRA]B+ (Stable); reaffirmed
Long-term fund based – Working capital term loan	9.00	9.00	[ICRA]B+ (Stable); reaffirmed
Short-term fund based – Overdraft	5.00	5.00	[ICRA]A4; reaffirmed
Total	**24.00**	**24.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in the track record of Agro Indus Credits Limited (AICL) in the gold loan business and its low leverage, with a gearing of 0.7x as on September 30, 2024. However, the ratings remain constrained by the company's modest scale of operations, its legacy unresolved asset quality issues and the risks associated with its geographically concentrated operations. AICL has limited external borrowings at present and it is crucial for it to strengthen its funding profile, going forward, as the business expands.

AICL's delinquencies remained elevated in 9M FY2025, though the same improved slightly with the overall 90+ days past due (dpd) reducing to 20.1% as of September 2024 (29.6% as of March 2024) from 22.7% as of September 2023. This was supported by the steady scale-up of gold loans in the loan portfolio, which have relatively lower delinquencies (90+ dpd of 5.3% as of September 2024 vis-à-vis 12.3% as of March 2024 and 0.4% as of September 2023). While the company has limited credit losses in its gold loan portfolio, delinquencies have fluctuated as it provided more time to the borrowers to redeem their gold in view of the sufficient loan-to-value (LTV) being maintained, given the trend of increasing gold prices. The entire non-gold book was in the 180+ dpd bucket and the extent of recovery from these loans would be monitorable.

Key rating drivers and their description

Credit strengths

Track record in gold loan and other retail businesses – AICL has a track record of more than 25 years in retail lending businesses, including gold, vehicle and mortgage loans. Its senior management consists of personnel with an average experience of more than a decade in the banking sector. The company's Chief Executive Officer, Mr. Joseph P Abraham, has over 23 years of experience in non-banking financial services and capital markets. AICL has been promoted by Mr. Muraleedharan Kesavan, the Chairman and Managing Director of the Abu Dhabi-based SFC Group of Companies, and his spouse; together, they hold a 78.6% stake in the company. The promoters have been infusing equity over the last few years (Rs. 5.0 crore during FY2022-FY2023), extended unsecured loans and have also subscribed to the majority of the market instruments issued by the company**.**

Moderate capitalisation profile – AICL had a net worth of Rs. 63.1 crore and a gearing of 0.7 times as of September 2024. While it has maintained relatively low leverage in the past, a sizeable portion of its loan portfolio comprised non-performing advances (NPAs), resulting in subdued solvency metrics. AICL's net NPA/net worth was 18.1% as of September 2024 (15.6% as on March 31, 2024). The provision coverage ratio was 40.9% as of September 2024. Given that it is yet to make credit provisioning for a sizeable portion of the legacy NPAs, the extent of recovery from these NPAs would determine the incremental impact on the company's net worth and capitalisation profile.

Credit challenges

Modest scale and regionally concentrated operations – AICL's portfolio improved to Rs. 110.7 crore as of September 2024 from Rs. 92.4 crore as on March 31, 2024, supported by the significant growth in its gold loan portfolio. Given its modest scale, the company's portfolio remains concentrated in two states with 26 branches in Kerala and 36 branches in Tamil Nadu. The portfolio consisted of gold loans (84%), mortgage loans (13%) and vehicle loans (2%) as on September 30, 2024. Going forward, the share of gold loans in the overall portfolio is expected to increase as disbursements for mortgage loans and vehicle loans were stopped in the past few years.

Subdued asset quality indicators due to legacy issues; profitability to remain under pressure despite recent improvement – AICL's delinquencies remained elevated in 9M FY2025, though the same improved slightly with the overall 90+ dpd reducing to 20.1% as of September 2024 (29.6% as of March 2024) from 22.7% as of September 2023. The improvement was supported by the steady scale-up of gold loans in the loan portfolio, which have relatively lower delinquencies (90+ dpd of 5.3% as of September 2024 vis-à-vis 12.3% as of March 2024 and 0.4% as of September 2023). While AICL has limited credit losses from its gold loan portfolio, delinquencies have fluctuated as it provided more time to the borrowers to redeem their gold in view of the sufficient LTV being maintained, given the trend of increasing gold prices. The entire non-gold book was in the 180+ dpd bucket and the extent of recovery from these loans would be monitorable.

The company's gross NPAs (150+ dpd basis) stood at 17.6% as on September 30, 2024 and 19.1% as on March 31, 2024 due to limited collections in the mortgage and vehicle loan segments. The ability to achieve recoveries from mortgage and vehicle loans would be a key monitorable in the near to medium term.

AICL's return on assets improved to 2.4% (provisional) in H1 FY2025 from 1.3% in FY2024 (0.1% in FY2023). This was due to the increase in the net interest margin to 12.9% in H1 FY2025 and 13.4% in FY2024 (12.1% in FY2023) and the moderation in credit costs to 0.4% in H1 FY2025 from 1.8% in FY2024 (1.7% in FY2023). However, the margin remains below the pre-Covid-19 pandemic level mainly because of stiff competition in the gold loan segment. Further, the provision cover on the company's NPAs[1] remained moderate at 40.9% as of September 2024 (45.0% as of March 2024 and 30.7% as of March 2023). The extent of recoveries from the legacy portfolio would determine the incremental net credit losses, which the company would have to absorb, going forward.

Liquidity position: Adequate

AICL had cash and undrawn bank lines of Rs. 6.7 crore as on February 29, 2025, with repayments of Rs. 1.8 crore of working capital demand loans (WCDLs) and non-convertible debentures (NCDs) due over March 2025 to May 2025. It currently has working capital limits of Rs. 15 crore with three banks, apart from a WCDL originally sanctioned for Rs. 10 crore. AICL's funding is largely from banks (55% of the total borrowings as of September 2024), followed by unsecured loans from directors and relatives (24%) and NCDs and sub-debt (20%).

ICRA notes that around 70% of the gold loans are rolled over on the respective due dates, following the receipt of interest accrued, thereby limiting the inflows from this segment. Also, collections from the non-gold loan segment are expected to remain limited as all the loans are in the 180+ dpd bucket.

Rating sensitivities

Positive factors – Profitable business growth and improvement in the asset quality with 90+ dpd of less than 5.0%, while maintaining a prudent capital structure, would have a positive impact on the ratings.

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[1] *NPA recognition criteria shifted to 150+ dpd from March 2024 instead of 180+ dpd basis*

Negative factors – AICL's ratings could be negatively impacted in case of a significant weakening in the liquidity profile or further deterioration in the asset quality.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

Agro Indus Credits Limited (AICL) is a non-deposit taking non-banking financial company (NBFC) incorporated in January 1997. It was acquired by the current promoters, Mr. Muraleedharan Kesavan, Mrs. Beena Muraleedharan and others, in 2010. At present, AICL offers gold loans while mortgage loans and vehicle loans were sanctioned earlier. It operates mainly in Tamil Nadu and Kerala through its branches, with its head office in Kochi (Kerala). The company has 62 branches in these two states, including 36 in Tamil Nadu. Its total portfolio outstanding was Rs. 110.7 crore and Rs. 92.4 crore as of September 2024 and March 2024, respectively.

AICL reported a net profit of Rs. 1.3 crore (provisional) on a total asset base of Rs. 116.5 crore in H1 FY2025 compared to Rs. 1.2 crore and Rs. 98.7 crore, respectively, in FY2024.

Key financial indicators

AICL (standalone)	FY2023	FY2024	H1 FY2025
Total income	13.5	15.6	8.8
Profit after tax	0.1	1.2	1.3
Total managed assets	91.5	98.7	116.5
Return on managed assets	0.1%	1.3%	2.4%
Gearing (times)	0.4	0.5	0.7
Gross stage 3	23.5%*	19.1%**	17.6%**
CRAR	72.7%	72.8%	58.2%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *NPA classification based on 180 days past due; **NPA classification based on 150 days past due*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2026) Apr 04, 2025	Chronology of rating history for the past 3 years FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating
Long-term fund based – Cash credit	Long term	10.0	[ICRA]B+ (Stable)	Apr-02-2024	[ICRA]B+ (Stable)	-	-	Jan-27-2023	[ICRA]B+ (Stable)
Long-term fund based – WCTL	Long term	9.0	[ICRA]B+ (Stable)	Apr-02-2024	[ICRA]B+ (Stable)	-	-	Jan-27-2023	[ICRA]B+ (Stable)
Short-term fund based – Overdraft	Short term	5.0	[ICRA]A4	Apr-02-2024	[ICRA]A4	-	-	Jan-27-2023	[ICRA]A4

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term fund based – Cash credit	Simple
Long-term fund based – Working capital term loan	Simple
Short-term fund based – Overdraft	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Cash credit**	-	NA	-	10.00	[ICRA]B+ (Stable)
NA	**WCTL**	-	NA	-	9.00	[ICRA]B+ (Stable)
NA	**Overdraft-1**	-	NA	-	2.50	[ICRA]A4
NA	**Overdraft-2**	-	NA	-	2.50	[ICRA]A4

Source: Company; NA – Not available

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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