March 17, 2025

Electronica Finance Limited: [ICRA]A1 assigned to Rs. 25-crore CP programme, Rating reaffirmed for NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCDs)	42.00	42.00	[ICRA]A (Stable); reaffirmed
Commercial Papers (CPs)	0.00	25.00	[ICRA]A1; assigned
Total	**42.00**	**67.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in Electronica Finance Limited's (Electronica) comfortable capitalisation profile and the enhancement in its scale of operations. The company raised ~Rs. 373-crore capital in Q1 FY2025 (~Rs. 27 crore yet to be raised in Q1 FY2026), strengthening its capital base and leading to a decline in the managed gearing[1] to 3.8 times as on December 31, 2024 from 6.2 times as on March 31, 2024. This, along with its diversified funding profile, shall support Electronica's medium-term growth plan. The company has been able to increase its scale at a compound annual growth rate (CAGR) of ~24% in March 2024 from March 2019. Electronica's assets under management (AUM) stood at Rs. 4,481 crore as on December 31, 2024 (Rs. 3,778 crore as on March 31, 2024). ICRA expects Electronica to continue scaling up its AUM, supported by the growth of its core machine financing segment as well as the expansion of the loan against property (LAP) and solar rooftop financing segments.

The ratings also take into consideration Electronica's established track record of over three decades in machine financing. ICRA notes the increase in delinquencies in 9M FY2025; nonetheless, the overall asset quality remains comfortable with gross non-performing assets (NPAs) of 2.6% (1.4% as on March 31, 2024) and net NPAs of 1.4% as on December 31, 2024. The credit cost also remained under control at 1.1%, in relation to average managed assets (AMA), in 9M FY2025 vis-à-vis 0.9% in FY2024.

The ratings are, however, constrained by the company's moderate earnings profile on account of relatively higher operating expenses and pressure on interest margin. Further, the rating considers the inherent risks associated with the target borrower segment of small and medium industrial units that are susceptible to economic shocks, which may lead to asset quality challenges in the portfolio. Also, ICRA notes the limited seasoning in its relatively newer product segments, namely micro-LAP, affordable LAP and rooftop solar loans. Electronica's ability to control credit costs and improve its operating efficiency while scaling up the portfolio will remain important from a credit perspective.

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from its experienced management team and further scale up operations while maintaining a comfortable capitalisation profile and asset quality metrics.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – The company reported an improvement in capital adequacy ratio to 24.8% as on December 31, 2024 from 18.3% as on March 31, 2024 (19.3% as on March 31, 2023), supported by the Rs. 373-crore capital raise in the form of equity and compulsorily convertible preference shares (CCPS) from two new investors in Q1 FY2025. It

[1] *Managed gearing = (On-book debt + Off-book portfolio) / Net worth*

intends to raise an additional Rs. 27 crore in Q1 FY2026. Consequently, the managed gearing declined to 3.8 times as on December 31, 2024 from 6.2 times as on March 31, 2024 (5.4 times as on March 31, 2023). Given the recent capital infusion, Electronica is comfortably capitalised to support its growth plans over the next 2-3 years while keeping its gearing (managed) below 5 times.

Established track record of operations in asset finance – As it commenced operations in machine financing in 1990, leveraging the background of its parent group of equipment manufacturers, Electronica gained a competitive advantage in critical know-how of machine usage and resale, by leveraging the operational and management experience of its promoter group entities. Aided by the experience of its senior management team and its track record of over 30 years, the company has been able to scale up its portfolio consistently (5-year CAGR of 24% till March 31, 2024) and reported an AUM of Rs. 4,481 crore (Rs. 3,778 crore as on March 31, 2024) with operations spread across 16 states/Union Territories as on December 31, 2024. Besides machinery financing, the company has expanded its product offerings to include micro-LAP, affordable LAP and rooftop solar loans in recent years.

Comfortable asset quality – Electronica's asset quality remains comfortable with gross NPAs of 2.6% as on December 31, 2024 (1.4% as on March 31, 2024; 1.1% as on March 31, 2023). Even though there has been an increase in delinquencies in 9M FY2025, ICRA draws comfort from Electronica's established track record in the asset financing business with a demonstrated ability to manage asset quality over cycles. The company reported a net NPA of 1.4% as on December 31, 2024 (0.8% as on March 31, 2024). Further, the portfolio remains granular, with the company catering to more than 52,400 clients as of December 2024, and the top 20 borrowers comprised ~3% of the total portfolio outstanding as on March 31, 2024. Nevertheless, Electronica's ability to keep its asset quality under control while managing growth, especially in the relatively newer product segments, namely micro-LAP, affordable LAP and rooftop solar loans, would be important.

Credit challenges

Moderate earnings profile – Electronica's earnings profile remains moderate due to elevated operating expenses, notwithstanding the moderation in the current fiscal, and the pressure on interest margin. While the company reported an improvement in its overall profitability in FY2024, the same was largely driven by higher direct assignment (DA) transactions and the consequent gains. In 9M FY2025, Electronica's net interest margin (NIM; including DA gains) declined to 6.7% of AMA from 8.7% in FY2024 on account of relatively lower income from DA transactions and the increase in on-book liquidity. However, operating expenses declined to 5.8% of AMA in 9M FY2025 from 7.0% in FY2024 due to lower administrative expenses and improving operating efficiency with increasing scale of operations. Credit costs remained at 1.1% of AMA in 9M FY2025 (0.9% in FY2024), given the comfortable asset quality.

Electronica reported a profit after tax of Rs. 27 crore in 9M FY2025 (Rs. 64 crore in FY2024), translating into a return of 0.9% on AMA and 5.7% on average net worth. In ICRA's opinion, Electronica's ability to improve its margins and operating efficiency while keeping the credit costs under control, as it further scales up its portfolio will be important from a credit perspective.

Modest credit profile of target customer segment – The portfolio is prone to asset quality challenges on account of lending to small and medium industrial units that are susceptible to economic shocks. However, with strong underwriting norms, the company has been able to navigate through various macroeconomic events in the past, including the Covid-19 pandemic. Electronica has a stringent appraisal and risk management framework, which includes multiple site visits, know-your-customer (KYC) verification, credit bureau checks and financial due diligence, wherein the focus remains on assessing the debt repaying ability of the borrower based on his existing scale of business. While the relationship managers remain responsible for the respective accounts, the company has a separate collection team for follow-ups/personal visits in case of delays.

Liquidity position: Strong

Electronica has a strong liquidity profile given the on-book liquidity of Rs. 398 crore as on December 31, 2024, expected inflows from advances and the availability of sanctioned unutilised lines. The company endeavours to maintain on-book liquidity sufficient to meet at least three months of its debt obligations. As per the structural liquidity statement as on December 31, 2024, the company had scheduled inflows of Rs. 905 crore as against scheduled outflows of Rs. 835 crore till December 31, 2025. Further, the company had unutilised sanctioned credit lines of Rs. 347 crore as on December 31, 2024. The funding profile is fairly diversified, and the company maintains a healthy debt pipeline comprising sanctions for term loans, direct assignment and co-lending arrangements to support its operations.

Rating sensitivities

Positive factors – A sustainable increase in the scale of operations and an improvement in the earnings profile, while keeping the asset quality and capitalisation at prudent levels, could positively impact the ratings.

Negative factors – A significant deterioration in the asset quality or weakening of the capitalisation profile with the managed gearing exceeding 5.5 times on a sustained basis could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Non-banking finance companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Electronica Finance Limited, erstwhile Electronica Leasing and Finance Limited is a non-banking financial company (NBFC) incorporated in 1990 and is a part of SRP Electronica Group (the Group). At present, Electronica provides financial assistance to small and medium-sized industrial units (mostly tier II, tier III and tier IV ancillary units) serving multiple sectors such as engineering, metal cutting and forming, auto ancillary, plastic, printing, textiles, woodwork, packaging, and other manufacturing industries. The company reported an AUM of Rs. 4,481 crore (Rs. 3,778 crore as on March 31, 2024) with operations spread across 16 states/Union Territories as on December 31, 2024.

SRP Electronica Group is a manufacturing company started by a group of first-generation technocrats. Given its manufacturing background and understanding of machines and engineering equipment, Electronica had a leverage in starting machine financing operations, which was a pioneering effort. It also started providing other innovative services like doorstep finance and assessment-based financing. Subsequently, it started offering machine financing to other manufacturers in the machine tool as well as other industries. Electronica's products, services and last-mile connectivity were also recognised by the Small Industries Development Bank of India (SIDBI), which resulted in a partnership of 15+ years.

Key financial indicators (audited)

Electronica Finance Limited	FY2023	FY2024	9M FY2025*
Total income	327	536	439
PAT	42	64	27
Total managed assets	2,667	3,455	4,359
Return on managed assets	1.8%	2.1%	0.9%
Managed gearing (times)	5.4	6.2	3.8
Gross NPA	1.1%	1.4%	2.6%
CRAR	19.3%	18.3%	24.8%

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)								Chronology of rating history for the past 3 years					
								FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar-17-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD programme	Long term	33.75	-	Oct-07-2024	[ICRA]A (Stable); withdrawn	Sep-16-2024	[ICRA]A (Stable)	Sep-26-2023	[ICRA]A- (Stable)	Sep-27-2022	[ICRA]A- (Stable)	Sep-28-2021	[ICRA]A- (Stable)
NCD programme	Long term	42	[ICRA]A (Stable)	Oct-07-2024	[ICRA]A (Stable)	-	-	-	-	-	-	-	-
Commercial paper	Short term	25	[ICRA]A1	-	-	-	-	-	-	-	-	-	-
Subordinated debt	Long term	0	-	-	-	-	-	-	-	Sep-27-2022	[ICRA]A- (Stable); withdrawn	Sep-28-2021	[ICRA]A- (Stable)
												Aug-09-2021	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD programme	Very simple
CP programme	Very 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 Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE612U07134	**NCD**	October 17, 2024	10.45%	October 17, 2030	41.84	[ICRA]A (Stable)
To be placed	**NCD**	NA	NA	NA	0.16	[ICRA]A (Stable)
To be placed	**CP**	NA	NA	NA	25.00	[ICRA]A1

Annexure II: List of entities considered for consolidated analysis -

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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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