

CareEdge Global downgrades TruCap Finance Limited's rating to 'CareEdge CCC'; retains Credit Watch with Developing Implications

USD 10 million Foreign Currency Bonds	CareEdge CCC (downgraded from CareEdge B-); maintained on Credit Watch with Developing Implications
USD 20 million External Commercial Borrowing (proposed)	CareEdge CCC (downgraded from CareEdge B-); maintained on Credit Watch with Developing Implications

CareEdge Global has downgraded its ratings of TruCap Finance Limited's (TFL) debt instruments to '**CareEdge CCC**' from '**CareEdge B-**'. This follows debt servicing delays on part of TFL towards its non-convertible debentures (NCDs) listed on Bombay Stock Exchange (BSE). The servicing of debt facilities rated by CareEdge Global has been timely, so far. The rating has been maintained on '**Credit Watch with Developing Implications**' to monitor the consequence in case of accelerated debt payment demand by investors of these facilities.

The company informed BSE on July 18, 2025, regarding its default on the interest and principal payments towards six NCDs due on July 16, 2025. The default was on account of debenture holders of these NCDs exercising the right of accelerated repayment of principal and accrued interest post-triggering of 'Material Redemption Event' as per the transaction documents of these instruments. These repayment demands (premature NCD redemption) coupled with non-receipt of expected funds from the promoter group resulted in cashflow mismatches leading to default in these securities listed on the BSE.

The above default also triggered 'Event of Default' on facilities rated by CareEdge Global owing to the presence of 'Cross Default' clause in the associated transaction documents. Accordingly, there is a substantial increase in the credit risk of these facilities, and our rating downgrade reflects the very high vulnerability to default regarding the servicing of debt obligations in the facilities rated by us. While basis our discussion with the debenture trustee and TFL's management, we understand that there is no request for accelerated payment from investors of these instruments so far, its possibility remains high. Therefore, CareEdge Global will monitor any accelerated debt payment demands by bondholders of these facilities, the company's liquidity, and the consequences thereof.

In June 2025, CareEdge Global maintained TFL's rating on 'Credit Watch with Developing Implications' following the company's announcement of change of hands from the Wilson group to the Marwadi Chandarana Group (MCG) by acquiring a 75% stake in TFL through a wholly owned subsidiary, namely, Marwadi Chandarana Intermediaries Brokers Private Limited

(MCIBPL). As per the discussion with management, while MCG's acquisition proposal is still active, necessary regulatory approvals are pending for the consummation of the transaction.

Analytical approach

CareEdge Global has analysed the credit profile of the company on a standalone basis.

Rating Sensitivities

Upward factors

- Curing of ongoing defaults on certain facilities and track record of at least three months of timely debt servicing
- Improvement in liquidity position potentially resulting from capital infusion

Downward factors

- Demand for accelerated payment from bondholders of the rated facilities coupled with insufficient liquidity
- Any delay in timely servicing of obligations of the rated debt facilities

Key Rating Drivers

Weaknesses

Weak operating and financial performance

TFL's operational performance worsened in the quarter ending March 31, 2025. The company reported a loss of Rs 70 crore (approximately USD 8.2 million) in the last quarter of fiscal 2025, compared to a profit of Rs 1 crore in the prior quarter. This decline was mainly due to additional provisioning of Rs 46 crore and a Rs 21 crore impairment associated with tech asset investments in its subsidiary, DFL Technologies Pvt Ltd. As of March 31, 2025, the total capital adequacy ratio (CAR) fell to 24.0%, down from 29.9% on March 31, 2024. These losses are significant and negatively affect TFL's earnings profile, negatively impacting its credit status.

Concentrated resource profile leading to a relatively higher cost of borrowing

TFL continues to rely on non-banking financial institutions (NBFIs) for its debt requirements, though the dependence has gradually reduced. NBFC borrowings comprised 66% of total debt in FY25, down from 73% in FY23. These loans tend to be costlier than alternative financing options, which hampers profitability. Over the past three fiscals, TFL's return on assets (RoA) has been relatively low, ranging from 1% to 2.25%. While the RoA improved to 1.5% in FY24 from 1.0% in FY23, it was driven by other income of Rs 20.7 crore before adjusting notional interest expense of Rs 5.4 crore. TFL's average borrowing cost stood around 13.9-14% for FY24. The company is taking steps to optimise its borrowing profile by exploring other financing options, including international debt issuances.

Modest scale of operations with low seasoning of the business loan portfolio

TFL has been expanding its scale of operations, through a combination of On-book and Off-book lending, with the company achieving an AUM of Rs 833 crore (USD 96 million¹) as of March 31, 2025. However, a major chunk of the loans has originated in the past two to three years. Consequently, these loans, particularly business loans, have limited seasoning, implying that the portfolio's performance over various economic cycles is yet to be fully tested.

The company's tangible net worth stood at Rs 162 crore (USD 19 million) as of March 31, 2025, given limited capital infusion and internal accruals over the last two years and losses in FY25. Consequently, its AUM/Net worth has also increased to ~5.1 times as of March 31, 2025. Further, TFL has seen moderation in its asset quality parameters during FY25. It reported a gross non-performing asset (GNPA) of 3.7% as of March 31, 2025, as compared to 1.4% as of March 31, 2024. Higher NPAs are primarily due to stress in the unsecured business loan segment in certain geographies, leading to lower collections and increased slippages.

Over the years, TFL's off-lending has largely been towards gold loans, which constitutes ~49% of overall AUM. The business loan segment constitutes ~39% of the portfolio as of March 31, 2025. Furthermore, since the majority of AUM has been added in the last two years, the reported GNPA numbers may not reflect the true seasoning impact. Hence, CareEdge Global has also evaluated GNPA's on a two-year lagged basis. TFL's two-year lagged GNPA stood at 4.5% and 5.3% as on March 31, 2024, and March 31, 2025, respectively.

Strengths

Experienced board and management team

TFL is promoted by the Mumbai-headquartered Wilson Group, which acquired the company in 2018. MCG's proposal to acquire a 75% stake in the company remains active, and necessary regulatory approvals are awaited. TFL has eminent board members with rich industry experience, which includes Mr Krishipal Raghuvanshi (a former Police Commissioner & current strategic security advisor to RBI), and Mr Rajiv Kapoor (former regional head and senior vice president at Visa Inc.). In July 2021, Mr Porter Collins, co-founder of Seawolf Capital, joined the company's board. He was a partner in FrontPoint Financial Services Fund and is credited for accurately predicting the 2008 global financial crisis. Mr Rohanjeet Juneja, the company's Managing Director & CEO, is also on the board. He is a former investment banker and hedge fund manager with over 17 years of experience in the industry.

¹ USD-INR exchange rate of 86.40 as on July 22, 2025

Comfortable capitalization

TFL maintains a comfortable capitalization profile, with an overall capital adequacy ratio of 24.0% as of March 31, 2025. To support its growth plans, the company is in discussions with existing and new promoters to raise fresh capital. The company has scaled up its operations into co-lending arrangements with six lenders (banks/ financial institutions) for gold loan and business loan segments. CareEdge Global expects that, with its planned growth trajectory in a combination of On-book and Off-book, the company will maintain a buffer of approximately 5-7% above the regulatory capitalization requirements of 15%.

Liquidity

TFL's liquidity is poor given the ongoing delays in servicing of debt obligations in a timely manner. As of May 28, 2025, TFL was holding approximately Rs 50 crore in cash and bank balances. The company anticipates monthly inflows of about Rs 36 crore, while facing repayment obligations in upwards of Rs 72 crore owing to accelerated debt payment. Promoters were expected to inject an additional Rs 20 crore into the company, which did not materialise and worsened the liquidity position, resulting in cash flow mismatches. Additionally, TFL has reduced disbursements in recent months to conserve capital until the proposed transaction with MCIBPL is complete.

Environmental, Social and Governance (ESG) considerations

CareEdge Global observes that TFL is primarily engaged in lending to businesses operating in semi-urban geographies, promoting sustainable practices among its borrowers. TFL's board has constituted the ESG Committee to oversee sustainable corporate growth, financial inclusion initiatives, and support for the MSME sector and women empowerment initiatives.

From a social perspective, the company addresses critical social risks by focusing on low-ticket lending to MSMEs and individual borrowers. This approach enhances credit accessibility for underserved segments, including women entrepreneurs, contributing to financial inclusion and socio-economic development. TFL also regularly conducts healthcare and financial literacy outreach campaigns in the regions where it operates, benefitting local communities.

On the governance front, the company demonstrates a reasonable commitment to corporate governance practices with three independent directors on its board and various board committees (audit committee, risk management & strategy committee, finance committee, and stakeholders' relationship committee). However, further improvements in board structure and practices could enhance resilience and stakeholder confidence.

About the company

TruCap Finance Limited (formerly known as Dhanvarsha Finvest Limited) is an RBI-registered non-deposit-taking NBFC, having been in operation since 1998. It is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). TFL is promoted by the

Mumbai-headquartered Wilson Group, which acquired the company in 2018. In May 2025, the Marwadi Chandarana Group proposed to acquire a 75% stake in the company and is awaiting the necessary regulatory approvals.

The company provides financing options to under-banked micro, small & medium enterprises (MSMEs) and low-to-mid-income (LMI) groups in society, offering a range of secured and unsecured financing products tailored to suit the borrower's requirements. TFL's portfolio is focused on gold loans, business loans to MSMEs and EV financing. The EV segment has also gained traction, with its contribution rising to 11% of AUM as of March 31, 2025.

Solicitation Status

These ratings are solicited. The management has provided information and meetings to the CareEdge Global analytical team for the rating.

Details of the instrument

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Issue Size	Rating
Foreign Currency Bonds	INIFD1705026	December 2, 2024	490 basis points plus Term SOFR ²	December 2, 2027	USD 5 million	CareEdge CCC/ Credit Watch with Developing Implications
Foreign Currency Bonds	-	-	-	-	-	CareEdge CCC/ Credit Watch with Developing Implications
External Commercial Borrowing (proposed)	-	-	-	-	-	CareEdge CCC/ Credit Watch with Developing Implications

² Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by treasury securities

Rating History

Name of instrument	Type	Rating	Date
Foreign currency bonds/ External commercial borrowings	Long-Term Foreign Currency (Solicited)	CareEdge CCC/ Credit Watch with Developing implications	July 23, 2025
Foreign currency bonds/ External commercial borrowings	Long-Term Foreign Currency (Solicited)	CareEdge B-/ Credit Watch with Developing implications	March 13, 2025
Foreign currency bonds/ External commercial borrowings	Long-Term Foreign Currency (Solicited)	CareEdge B-/ Stable	December 24, 2024

Criteria Applied

[CareEdge Global's Rating Methodology for Financial Institutions](#)

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