CareEdge Global downgrades TruCap Finance Limited to 'CareEdge C'

USD 10 million Foreign Currency Bonds	CareEdge C (Downgraded from CareEdge CCC/Credit watch with developing implications)
USD 20 million External Commercial Borrowing (proposed)	CareEdge C (Downgraded from CareEdge CCC/Credit watch with developing implications)

CareEdge Global has downgraded the rating of TruCap Finance Limited's (TFL) debt instruments to **'CareEdge C'** from **'CareEdge CCC/Credit watch with developing implications'**. The rating downgrade reflects CareEdge Global's view that TFL's credit profile has been significantly impaired following non-materialisation of equity infusion plans from Marwadi Chandarana Intermediaries Brokers Private Limited (MCIBPL) and poor liquidity position.

The company informed the Indian Stock Exchanges on September 23, 2025, regarding the termination of Share Purchase Agreement (SPA) and Securities Subscription Agreement (SSA) with MCIBPL. Following the recent announcement, the probability of accelerated debt recall is high given the ongoing covenant breaches in various debt instruments of the company. However, the servicing of debt facilities rated by CareEdge Global has not seen any delay, so far.

MCIBPL, part of the Marwadi Chandarana Group (MCG), had signed definitive agreements to acquire a 75% stake in TFL. The transaction entailed an equity infusion of Rs 207 crore (~USD 23.5 million) for the purchase of 36.8 million shares from existing promoters, subject to regulatory approvals and no-objection certificates (NOCs) from all lenders. The management is in discussion with regulators for clarification on capital raise as the open offer from the acquirer is still active. Our rating downgrade reflects the very high vulnerability to default regarding the servicing of debt obligations of the facilities rated by us as covenant breaches have occurred in the foreign currency bonds as well. However, no formal notice of debt recall has been received as on September 25, 2025, for the facilities rated by CareEdge Global.

TFL's financial performance deteriorated in the first quarter of fiscal 2026, reporting a net loss of Rs 9 crore, compared to a Rs 1.4 crore profit in the same period of the previous fiscal. Its gross non-performing assets (GNPA) and net non-performing assets (NNPA) increased to 5.5% and 3.4% respectively as of June 30, 2025, against 1.5% and 0.9% as of June 30, 2024. The deterioration in asset quality is primarily driven by increasing contribution of unsecured MSME segment to the overall portfolio (46% as of June 30, 2025, against 32% as of June 30,

2024) and rising stress in the Micro, Small & Medium Enterprises (MSME) segment. The overall AUM has declined to Rs 599 crore (~USD 68 million) as of June 30, 2025 (PY: Rs 1,063 crore [~USD 121 million]) owing to portfolio run-down, particularly the gold loan portfolio and nominal disbursements. A shift in portfolio mix towards unsecured segments has adversely impacted asset quality, thereby contributing to the rise in NPAs. Further, the capital adequacy ratio (CAR) declined to 23.6% as of March 31, 2025, from 29% as of September 30, 2024.

Earlier, CareEdge Global had downgraded its ratings of TFL's debt instruments to 'CareEdge CCC' from 'CareEdge B-'. This followed debt servicing delays on part of TFL towards its non-convertible debentures (NCDs) listed on the Bombay Stock Exchange (BSE). The rating was maintained on 'Credit Watch with Developing Implications' to monitor the consequence in case of accelerated debt payment demand by investors of the facilities rated by CareEdge Global.

Analytical Approach

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

Rating Sensitivities

Downward Factors

- Delays in servicing of debt obligations rated by CareEdge Global

Upward Factors

- Timely servicing of debt obligations (i.e., principal and interest) for minimum three continuous months and no default on any facilities
- Improvement in liquidity position

Liquidity

TruCap's liquidity position has significantly deteriorated with unencumbered cash balance of less than Rs 10 crore as of September 25, 2025, unlikely to suffice for servicing its near term debt obligations. The obligations may further increase owing to accelerated debt repayment demands.

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 Mumbai-headquartered Wilson Group, which acquired the company in 2018.

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 20% of AUM as of June 30, 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[1]	December 2, 2027	USD 5 million	CareEdge C
Foreign Currency Bonds	-	-	-	-	-	CareEdge C
External Commercial Borrowing (proposed)	-	-	-	-	-	CareEdge C

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

Rating History

Instrument	Type	Rating	Date
Foreign Currency Bond/ External Commercial Borrowing Bonds	Long-Term Foreign Currency (Solicited)	CareEdge C	September 29, 2025
Foreign Currency Bond/ External Commercial Borrowing Bonds	Long-Term Foreign Currency (Solicited)	CareEdge CCC/Credit Watch with Developing Implications	July 23, 2025
Foreign Currency Bond/ External Commercial Borrowing Bonds	Long-Term Foreign Currency (Solicited)	CareEdge B-/Credit Watch with Developing Implications	June 03, 2025
Foreign Currency Bond/ External Commercial Borrowing Bonds	Long-Term Foreign Currency (Solicited)	CareEdge B-/Credit Watch with Developing Implications	March 13, 2025
Foreign Currency Bond/ External Commercial Borrowing Bonds	Long-Term Foreign Currency (Solicited)	CareEdge B-/Stable (Assigned)	December 24, 2024

Criteria Applied

CareEdge Global's Rating Methodology for Financial Institutions

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