TruCap Finance Limited (Revised)

June 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	750.00	CARE BB+ (RWD)	Downgraded from CARE BBB-; Continues to be on Rating Watch with Developing Implications
Non-Convertible Debentures	50.00	CARE BB+ (RWD)	Downgraded from CARE BBB-; Continues to be on Rating Watch with Developing Implications
Non-Convertible Debentures	100.00	CARE BB+ (RWD)	Downgraded from CARE BBB-; Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has downgraded the ratings assigned to the debt instruments and bank facilities of TruCap Finance Limited (TFL) due to weakening of liquidity profile and significant losses reported in Q4FY25 & for the fiscal FY25 as well. This weakening in profitability was primarily driven by elevated provisions alongside continued pressure from high operating costs. The ratings continue to remain on 'Rating Watch with Developing Implications' following the termination of TFL's earlier agreement with InCred Financial Services Ltd. for the slump sale of its gold loan business and simultaneous announcement of the proposed acquisition of TruCap Finance Limited (TFL) by the Marwadi Chandarana Group (MCG) through its group entity, Marwadi Chandarana Intermediaries Brokers Private Limited (MCIBPL). MCIBPL will invest ₹206.87 crore in TFL through a combination of preferential allotment of equity shares and convertible warrants, along with secondary share purchases from the existing promoters. Upon completion, MCIBPL plans to acquire a ~75% stake in TFL, while triggering an open offer for an additional 26% shareholding as per regulatory norms. This transaction, which entails a significant change in ownership, is subject to regulatory approvals and the fulfilment of key conditions precedent. Furthermore, the existing promoters have agreed to provide interim support to the company by providing ₹20 crore as debt, of which ₹10 crore has already been received. Additionally, the Marwadi Chandarana Group (MCG) have committed to infuse ₹100 crore in the form of debt, until the regulatory approvals for equity are received. The first tranche of ₹50 crore is expected by 15th June 2025, with the remaining ₹50 crore scheduled for disbursement in July 2025.

CARE Ratings will continue to closely monitor developments related to the proposed significant change in ownership, equity infusion, and regulatory approvals, and its impact on TFL's business, capitalisation, and governance structure. The rating watch will be resolved once there is greater clarity on the execution of the transaction and its implications on the company's strategic direction and risk profile.

TFL's liquidity profile remains stretched given the debt repayments of ₹103 crore over the next three months against unencumbered cash and cash equivalents of ₹57 crore as on May 31, 2025 implying a liquidity coverage ratio of 55%. Liquidity, however is supported by expected collection of ₹92 crore and additional ₹110 crores from existing (₹10 crore) and MCG group (₹100 crore) during the same period. The company's gearing levels also deteriorated due to erosion in net worth as on March 31, 2025. The ratings continue to reflect constraints arising from TruCap Finance Limited's (TFL) moderate resource profile and persistent asset quality challenges, particularly within its unsecured business loan segment. The rise in Gross Non-Performing Assets (GNPA) is largely driven by a contraction in the company's Assets Under Management (AUM) and ongoing stress in the business loan portfolio. Moreover, the company reported covenant breaches with certain lenders during FY25, although waivers were obtained in some instances.

Nevertheless, the ratings continue to favourably factor in TFL's experienced management and adequate capitalisation levels (CAR of 24% as on March 31, 2025)

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Scaling up of loan book, while improving profitability and asset quality on a sustained basis.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Negative factors: **Factors that could individually or collectively lead to negative rating action/downgrade:**

- Deteriorating asset quality and profitability with gross non-performing asset (GNPA) exceeding 4% on a sustained basis.
- Assets under management (AUM)/tangible net worth (TNW) ratio remaining above 6x on a sustained basis.

Analytical approach:

CARE Ratings has analysed standalone credit profile of the company.

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Weakened profitability

TFL's total income grew to ₹199.26 crore in FY25 from ₹182.01 crore in FY24, driven primarily by an increase in interest income, which rose from ₹115.77 crore in FY24, to ₹173.80 crore in FY25.

The company's operating expenses remained high primarily due to the gold loan segment, which typically incurs higher operational costs and is a capital-intensive line of business. The profitability has been volatile in the last few years. The company reported a net loss of ₹66.60 crore in FY25, compared to a net profit of ₹11.71 crore in FY24. The same was primarily due to rise in credit cost for FY25 significantly to ₹72.80 crore from ₹4.11 crore in the previous year. Furthermore, the financials for FY25 include a one-time impairment and write-off undertaken as a prudent and conservative measure.

TFL has made additional provisioning of ₹46.00 crore and recorded an impairment of ₹21.00 crore related to its investment in DFL Technologies (Step down subsidiary of TFL) for technology assets.

Post change in promoters, focus on improving core profitability with further increase in scale of operation will be critical for TFL's credit profile.

Moderate asset quality with continued stress in unsecured business segment

As on March 31, 2025, TFL reported GNPA and NNPA of 3.70% and 2.20% on AUM respectively, compared to levels of 1.32% and 0.83% reported, as on March 31, 2024 primarily attributed to decline in AUM, driven by portfolio run-off and limited disbursement during FY25. Further company is also experiencing increased stress among unsecured business loan segment, in line with the industry.

Given the unsecured nature of business loan segment, maintaining good asset quality in this portfolio will remain key monitorable.

High gearing

In Q4FY24 and FY25, TFL raised ₹22.06 crore in equity, significantly lower-than-projected infusion of ₹168.25 crore. This shortfall in raising envisaged equity contributed to an increase in the company's leverage, with the AUM/TNW ratio rising to 5.93x as of March 31, 2025, from 5.14x as of March 31, 2024 as the company's TNW decreased to ₹140.31 crore in FY25 from ₹200.56 crore in the previous year on account of losses reported during the year.

As on March 31, 2025, the company's total debt stood at ₹520.48 crore against ₹686.11 crore as on March 31, 2024. Of the total borrowings, majority are sourced from NBFC and remaining are funded by a mix of private banks, small finance banks and PSU banks. The company's average cost of borrowing remains is high due to higher weightage of borrowings from NBFC's.

CARE Ratings notes that the proposed equity infusion of ₹206.87 crore by MCG group into TFL is expected to strengthen the company's capital position and improve its gearing levels going forward.

Limited track record of the company

The company began operations in 2017, initially offering Loan Against Property (LAP) loans with an average tenure of 8-12 years. In 2019, it expanded into smaller ticket size business loans with tenures of 2-4 years, and by Q3FY21, it had introduced gold loans with an average tenure of one year. The company strategically shifted focus away from LAP and personal loans, which as on March 31, 2025 account for less than 1% of its AUM, and increased its lending to the gold and unsecured business loan segment, which constitutes 49% and 39% of its total AUM respectively as on March 31, 2025. Additionally, it has ventured into three-wheeler electric vehicle financing under its Green Financing initiatives during FY25

Key strengths

Experienced management team

The company has experienced board members and management with rich experience in the finance industry. Board members include Krishipal Raghuvanshi (Former Commissioner of Thane and current strategic security advisor to RBI), Nirmal Momaya (CA) and Rajiv Kapoor (former regional head and senior vice president cross border for Asia Pacific at Visa Inc.). In March 2022, Abha Kapoor joined TFL as an Independent Director. She has over 26 years of entrepreneur experience and is the founding partner of K&J Associates. In June 2022, Rushina Mehta joined the company as a Non-executive Director. She is an entrepreneur and a Director in NRAM Regent Private Limited.

Board also comprises Rohanjeet Juneja, Managing Director & CEO (former investment banker and hedge fund manager), having 17+ years of experience in India and the USA. Sanjay Kukreja, CFO has over 29+ years of experience in the finance industry. Mahendra Servaiya, credit head was the former AGM at a leading public sector bank.

Liquidity: Stretched

As on May 31, 2025, the company had unencumbered cash and bank balance of ₹57 crore, including liquid investments and expected collections of ₹92 crore for the next three months against debt repayment of ₹103 crore during the same period leading to LCR ratio of 55%.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

TFL (formerly known as Dhanvarsha Finvest Limited) is an RBI-registered non-deposit accepting NBFC since 1998 and listed on NSE and BSE. The company was originally incorporated on November 9, 1994, in Gujarat. Before registering as an NBFC, the company was promoted by Gujarat-based individual promoters who were finance brokers, registrar to the issue and share transfer agent, issue houses or insurance agents / brokers and agents or underwriters, consultants, assessors, values surveyors, mortgage brokers and undertaking provision of hire purchase and credit sale finance and of acting as factors and brokers. Currently, the company is promoted by Mumbai-headquartered Wilson Group, which took over as the parent in 2018 and has business interests spread across financing, real estate, sustainable infrastructure, agro commodities trading, advisory services, and venture capital investing. TFL provides financing options to the relatively under-banked micro, small & medium enterprises (MSME) and low-to-mid income (LMI) groups of the society, offering a range of secured and unsecured financing products, tailored to suit borrower requirements.

The Marwadi Chandarana Group (MCG), which has been jointly managed by the Marwadi and Chandarana families (each holding an equal 50% stake), has a 25-year presence in financial services, education, and renewable energy. They plan to invest over ₹206.87 crore in Trucap through its group company Marwadi Chandarana Intermediaries Brokers Pvt. Ltd. (MCIBPL), targeting an increase in their stake to 75%. This investment will involve a mix of capital infusion via preferential allotment of equity shares and convertible warrants, along with a secondary purchase of shares from the existing promoter group. Further, post transaction and regulatory approvals existing promoter stake to reduce to zero; MCG to become the new Promoter.

Brief Financials (₹crore)	FY24 (A)	FY25 (A)
Total income	182.01	199.26
PAT	11.71	-66.60
CAR (%)	24.54	24.04
Total assets (net of intangible and deferred tax assets)	909.60	677.36
ROTA (%)	1.49	-8.39

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹crore)	Rating Assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	INE615R07042	18/01/2024	13.50%	18/07/2025	9.99	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures	INE615R07067	24/01/2024	13.40%	22/01/2027	40.00	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures	INE615R07091	28/03/2024	13.10%	28/09/2029	8.00	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures	INE615R07083	28/03/2024	13.00%	28/03/2027	8.00	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures	INE615R07109	07/05/2024	13.00%	07/05/2027	25.00	CARE BB+; (RWD)

Debentures-Non-Convertible Debentures	INE615R07117	06/06/2024	13.00%	06/12/2025	15.00	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures	INE615R07125	04/07/2024	13.00%	30/06/2027	23.50	CARE BB+; (RWD)
Debentures-Non-Convertible Debentures (Proposed)	-	-	-	-	20.51	CARE BB+; (RWD)
Fund-based-Long Term	-	-	-	-	750.00	CARE BB+; (RWD)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	750.00	CARE BB+ (RWD)	-	1)CARE BBB- (RWD) (28-Feb-25) 2)CARE BBB-; Stable (06-Jan-25)	1)CARE BBB; Positive (24-Jan-24) 2)CARE BBB; Positive (01-Dec-23) 3)CARE BBB; Stable (02-Jun-23)	1)CARE BBB; Stable (03-Jun-22)
2	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (16-Mar-23) 2)CARE PP-MLD A (CE); Stable (13-Jun-22)
3	Debentures-Non Convertible Debentures	LT	50.00	CARE BB+ (RWD)	-	1)CARE BBB- (RWD) (28-Feb-25) 2)CARE BBB-; Stable	1)CARE BBB; Positive (24-Jan-24) 2)CARE BBB; Positive (01-Dec-23)	1)CARE BBB; Stable (03-Jun-22)

						(06-Jan-25)	3)CARE BBB; Stable (02-Jun-23)	
4	Debentures-Market Linked Debentures	LT	-	-	-	-	1)Withdrawn (14-Apr-23)	1)CARE PP-MLD BBB; Stable (25-Aug-22)
5	Un Supported Rating	LT	-	-	-	-	-	1)Withdrawn (16-Mar-23) 2)CARE BBB (13-Jun-22)
6	Debentures-Non Convertible Debentures	LT	100.00	CARE BB+ (RWD)	-	1)CARE BBB- (RWD) (28-Feb-25) 2)CARE BBB-; Stable (06-Jan-25)	1)CARE BBB; Positive (24-Jan-24)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here]

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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