Hedge Finance Limited

July 17, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Non-Convertible debentures (NCDs)	155.00 (Increased from 140.00)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating reaffirmed	Simple
Proposed non-convertible debentures (NCDs)	40.00 (Decreased from 60.00)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating reaffirmed	Simple
Proposed non-convertible debentures (NCDs)	55.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	-	Rating Assigned	Simple
Non-Convertible debentures (NCDs)	0.00 (Decreased from 5.00)	-	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating Withdrawn	Simple
Total	**250.00 (Rupees Two Hundred Fifty Crore Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned/reaffirmed its rating assigned to the Non-Convertible Debentures (NCDs) of Hedge Finance Limited (HFL) as it continues to derive comfort form comfortable capitalisation, sustained growth in AUM and earnings profile albeit moderation in profitability and experienced promoters and management. However, the ratings are constrained on account of weak asset quality, moderate scale of operations given the regional concentration and highly leveraged capital structure.

Infomerics Ratings also withdraws the rating assigned to NCD issue of Rs 5.00 crore based on the request of the company as the NCDs are fully redeemed and on receipt of “no due certificate” issued by the debenture trustee. The withdrawal of the ratings is in line with Infomerics withdrawal policy.

“Stable outlook is on account of expected growth in AUM on the back of comfortable capitalisation and established network of the company.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in loan book while maintaining healthy profitability, capitalisation and liquidity.
- Substantial and sustained improvement in asset quality with GNPA decreasing below 3x
- Improvement in overall gearing below 3x

Downward Factors

- Substantial decline in loan book, profitability, capitalisation and liquidity.
- Increase in gearing above current levels.
- Adverse movement in collection efficiency resulting in increased credit cost and deterioration in asset quality from current levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capitalisation

On the back of consistent capital infusion by promoters coupled with retention of profits, HFL has been able to maintain comfortable capitalisation with total CRAR of 24.78% and tangible net worth of Rs 48.17 crore as on 31 March 2025. The promoters are planning to infuse fresh capital of Rs 5.50 crore during FY26 which will help them to maintain comfortable capitalisation levels in the near to medium term amidst growing loan book.

Sustained growth in AUM and earnings profile albeit moderation in profitability

HFLs total AUM has witnessed a sustained growth over the years and currently stands at Rs 238.68 crore in FY25 (refers to period starting from 1 April 2024 to 31 March 2025) when compared to Rs 237.16 crore in FY24 on the lower-than-expected disbursements as the management took a conscious decision to curtail fresh disbursements and focus on improving the asset quality by building a secured loan book. HFL has reported total income of Rs 54.87 crore and PAT of Rs 2.47 crore for FY25 when compared to Rs 50.46 crore and PAT of Rs 5.46 crore respectively in FY24. Moderation in profitability is mainly on account of higher provisions provided during FY25 which stood at Rs 4.30 crore when compared to Rs 2.71 crore in FY24.

Experienced promoters and management

Hedge Finance Limited is promoted by Mr. Alex K Babu, Founder, Chairman and Managing Director of the company. He has over a decade of rich experience in capital markets & is well supported by an experienced board and management team. The board of the Company was reconstituted in September 2019, by adding experienced bankers with the objective of strengthening the board and to focus on the retail financing space.

Key Rating Weaknesses

Weak asset quality

HFLs portfolio is exposed to high-risk product categories viz., corporate loans and MSME and which together contribute to ~50% of total AUM. These sectors were severely impacted by COVID 19. Also, HFLs loan portfolio has high percentage of big-ticket size loans where the risk of delinquencies is higher given the fact that even slippage from a single account has adverse impact on the asset quality. Due to all these factors, asset quality of HFL remains weak with GNPA of 5.86% and NNPA of 4.01% as on 31 March 2025 (FY24: GNPA:4.44% and NNPA:2.99%). Going forward, the ability of the company to improve its asset quality will be a key monitorable.

Moderate scale of operations given the regional concentration

Despite consistent growth witnessed in HFLs AUM in the last 3 years, the scale of operations remains moderate given the regional concentration of operations with Kerala contributing to ~99% of total AUM. Going forward, the ability of the company to foray into new states and reduce its geographical concentration will be a key rating monitorable.

Highly leveraged capital structure

HFLs capital structure remains highly leveraged with gearing of 5.29x as on 31 March 2024 despite regular capital infusion from promoters since most of the growth in AUM is debt funded. However, IVR derives comfort as NCD's and subordinated debt are subscribed by promoters, friends and relatives and as per management going forward also HFL will raise NCD's and subordinated debt from promoters, friends and relatives. Going forward, the ability of the company to infuse capital and deleverage the capital structure will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/Non-Banking Finance companies

Policy on Default Recognition and Post – Default Curing Period

Criteria of assigning Rating Outlook.

Complexity level of rated instruments/Facilities

Financial Ratios & Interpretation (Financial Sector)

Policy on Withdrawal of Ratings

Liquidity – Adequate

HFLs liquidity remains adequate with cash and cash equivalents of Rs 36.75 Crore, tangible net worth of Rs 48.17 Crores as on 31 March 2025. It also has adequately matched ALM profile without any negative cumulative mismatches across various buckets as on 31 March 2025.

About the Company

Hedge Finance Limited (HFL) is a Kerala based non-deposit taking NBFC, registered with the Reserve Bank of India. The company is a part of the Hedge Group of companies, founded by

Mr. Alex K Babu in 2011. The group includes Hedge Equities Ltd, Hedge Commodities Ltd 5 and Hedge School of Applied Economics. The group started its operations in 2008 & provides services in capital markets, wealth management, and other investment products. HFLs initial focus was to finance against shares and mutual funds, complementing the business of its group company, Hedge Equities Ltd. However, in 2019, HFL diversified into products including loans against property, business loans, personal loans, loans against hypothecation of equipment/ machinery/ infrastructure/ vehicles and MSME loans.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2024	31-03-2025
	Audited	Audited
Total Income	50.46	54.87
PAT	5.46	2.47
Tangible Net worth	45.73	48.17
AUM	237.16	238.68
Ratios		
NIM (%)	9.15	7.83
ROTA (%)	2.14	0.85
Interest Coverage (times)	1.32	1.14
Total CRAR (%)	23.40	24.78
Gross NPA [Stage III] (%)	4.44	5.86
Net NPA [Stage III] (%)	2.99	4.01

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23
						20 June 2023	25 Oct 2022
1.	Proposed NCDs	Long Term	40.00	IVR BB+/ Stable	IVR BB+/Stable (2 Apr 2025)	IVR BB+/Stable	IVR BB+/Stable

Sr. No.	Name of Security/Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23
						20 June 2023	25 Oct 2022
					IVR BB+/Stable (23 July 2024) IVR BB+/Stable (13 June 2024)		
2.	NCDs	Long Term	155.00	IVR BB+/ Stable	IVR BB+/Stable (2 Apr 2025) IVR BB+/Stable (23 July 2024)	IVR BB+/Stable	IVR BB+/Stable
3.	NCDs	Long Term	0.00	-	Withdrawn (2 Apr 2025)	IVR BB+/Stable	IVR BB+/Stable
4.	Proposed NCDs	Long Term	55.00	IVR BB+/ Stable	-	-	-
5.	NCDs	Long Term	0.00	Withdrawn	IVR BB+/Stable (23 July 2024)	IVR BB+/Stable	IVR BB+/Stable

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About Infomerics:

Press Release

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
		-	-	-		

Press Release

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Listing Status	Rating Assigned / Outlook
NCDs	INE01ZK07FS1	02-Aug-22	10.50%	02-Aug-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07FT9	02-Aug-22	11.00%	02-Aug-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07GO 8	27-Oct-22	10.50%	27-Oct-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07GN0	27-Oct-22	11.00%	27-Apr-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07HK4	01-Mar-23	10.50%	01-Mar-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07HJ6	01-Mar-23	11.00%	01-Sep-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07IH8	28-Jun-23	10.50%	28-Jun-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07IG0	28-Jun-23	11.00%	28-Dec-28	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07JB9	18-Sep-23	10.25%	18-Mar-26	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07JC7	18-Sep-23	10.50%	18-Jun-27	5.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KD3	05-Jan-24	10.25%	05-Jul-26	7.50	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KC5	05-Jan-24	10.50%	05-Oct-27	7.50	Listed	IVR BB+/ Stable
NCDs	INE01ZK08588	18-Mar-24	11.00%	18-Mar-26	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK08604	23-May-24	10.50%	23-May-26	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK08596	23-May-24	11.00%	23-May-29	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KP7	11-10-2024	10.25%	11-02-2027	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KO0	11-10-2024	10.50%	11-04-2030	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK08620	24-01-2025	10.30%	24-11-2026	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK08612	24-01-2025	11.00%	24-01-2030	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KR3	26-06-2025	10.00%	26-02-2029	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KQ5	26-06-2025	10.25%	26-12-2030	10.00	Listed	IVR BB+/ Stable
NCDs	INE01ZK07KE1	05-01-2024	10.00%	05-04-2025	0.00	Listed	Withdrawn

					(reduced from 5.00)		
NCDs	Proposed NCDs	--	--	--	95.00	Proposed to be listed	
Total					**250.00**		

Annexure 2: Facility wise lender details (Hyperlink to be added): Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

The below mentioned covenants are uniform across all NCD issues rated by Infomerics.

Financial Covenants	**Default in payment.** In case of default in payment of Interest and/or principal redemption on the due dates, the additional interest of 2% p.a. over the Coupon rate will be payable by the Company for the defaulting period.
Non-Financial Covenants	**Transferability** Subject to provisions of the Memorandum of Association and Articles of Association of the Company, the Companies Act, 2013 and other applicable laws, the NCDs shall be freely transferable.
Security (For Secured NCDs)	• The NCDs shall be fully secured by way of creation of first pari passu hypothecation over all the assets including receivables of the company. • The company shall maintain minimum security cover of 100% at all times. • The company proposes to create the charge in favor of the debenture trustee within 60 days from the deemed date of allotment of NCDs. • In case of delay in execution of debenture trust deed the company will pay penal interest of at least 2% per annum over the coupon rate to the NCD holders till the execution of debenture trust deed.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.