

## Press Release

### K M Global Credit Private Limited

September 08, 2022



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB-   Stable   Assigned	-
Non Convertible Debentures (NCD)	15.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 35 Cr. bank facilities of K M GLOBAL CREDIT PRIVATE LIMITED (KMGCPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 15 Cr. proposed non-convertible debentures of K M GLOBAL CREDIT PRIVATE LIMITED (KMGCPL). The outlook is '**Stable**'.

The rating takes into account experienced management team, healthy capitalisation levels, & significant growth in AUM during FY22. The company saw an improvement in its capitalisation levels aided by equity infusion of ~Rs 15.87 Cr. led by 'LC Nueva Alternative Investment Fund' and conversion of debt to equity capital of ~Rs. 6.50 Cr. The total infusion and conversion amounting to ~Rs. 22 crores of capital. The CAR levels stood at 40.78 percent as on June 2022. The credit profile of the company derives strength from its demonstrated ability to raise capital in the form of equity. The company has FLDG arrangements with some of its merchant partners in the Education and Healthcare segment which helps them safeguard against significant delinquencies. KMGCPL has demonstrated sound asset quality, as reflected in the low Gross Non-Performing Assets (GNPA) of 0.50 percent as on March 31, 2022. These strengths are partially offset by relatively small scale of operations and limited vintage of the business.

Acuite takes note of increased focus on building granular retail portfolio, through partnership route backed by FLDG arrangements. Going forward, dilution in promoter support, movement in asset quality along with scale up in business operations are key rating sensitivities.

### About the company

K M Global Credit Private Limited (KMGCPL) is a B2B2C NBFC lending focused fintech based out of Mumbai which offers lending solutions and unsecured loan options at the point of-sale to businesses and consumers. KM Global Credit Private Limited was founded by Aditya Damani (CEO) in 2018. KMGCPL majorly disburses loan in the health and education segment.

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of K M Global Credit Private Limited while arriving at the rating.

## Key Rating Drivers

### Strength

#### Significant AUM growth while maintaining sound asset quality

The company's loan portfolio outstanding as on March 31, 2022 grew significantly to Rs. 80.18 Cr as compared to Rs. 19.02 Cr as on March 31, 2021. Education and Healthcare segment loans constitute ~80 percent of the total POS followed by Home Décor (~11 percent) and other loans (9 percent) as on March 31, 2022. The loans have a tenure of 3 to 60 months. The company has FLDG arrangements with some of the merchant partners which provide risk cover on portfolio level.

KMGCPL has demonstrated sound asset quality, as reflected in the low Gross Non-Performing Assets (GNPA) of 0.50 percent as on March 31, 2022 improving from 4.05 percent as on March 31, 2021. The company has structured inherent checks for effective risk management that include lending policy, underwriting process and dedicated due diligence team, which helps to maintain asset quality. The company's overall collection efficiency (including pre-payments) averages above 100 percent for last 6 month ended May 2022, resulting to an on-time portfolio of 98.17 percent as on March 31, 2022 improving from 93.29 percent as on March 31, 2021.

Acuite believes that the ability of the company to grow its loan portfolio while maintaining asset quality will be key monitorable.

### Healthy Capitalisation Levels

KMGCPL's capital position in FY2022 strengthened on account of capital infusion of ~Rs 15.87 Cr. led by 'LC Nueva Alternative Investment Fund' (An early-stage venture capital fund which focuses on investments in consumer-tech, EdTech, fintech, health tech industry) and conversion of debt to equity capital of ~Rs. 6.50 Cr. of Mahesh Damani (Father of Aditya Damani, CEO & Director of K M Global Credit Private Limited). The total infusion and conversion amounting to ~Rs. 22 crores of fresh capital, thus improving the Networth base of the company to ~ Rs 34 crores as on July 2022 which previously stood at Rs 11.80 crores as on March 31, 2022. The capital infusion resulted in improved leverage of 1.93 times as on June 30, 2022 (provisional) from 4.59 times as on March 31, 2022. and Capital Adequacy Ratio (CAR) improved to 40.78 percent as on June 31, 2022 from 27.86 percent as on March 31, 2022. As per the management discussion, the company is expected to raise further capital to aid their growth momentum.

Acuite believes that KMGCPL's growth momentum would be supported by the timely capital infusions from investors.

### Weakness

#### Modest scale of operations with limited track record

K M Global Credit Private Limited (KMGCPL) commenced its lending operations in FY2019. KMGCPL extends offers lending solutions and unsecured loan options at the point-of-sale to businesses and consumers. The company has a digital presence through its merchant partners spread across 16 states. KMGCPL operates through a single branch network based out of Mumbai. The top 4 states ( Maharashtra, Delhi, Karnataka, and Telangana) account for ~61 percent of the total POS. The company offers loans with ticket size ranging between Rs 10k to 20 lakhs. The loans have a tenure of 3 to 60 months. Average ticket size is ~Rs 80k and the average tenure is 15 months. The company made major disbursements during FY2022 thus resulting in a limited seasoning of the current outstanding portfolio. Going forward KMGCPL

would be focusing on granularity of portfolio by diversifying into other retail asset classes. Given the limited track record of operations their continued growth while maintaining asset quality in near to medium term will be a key monitorable.

Acuité believes, the ability of the company to mobilize additional funding, will be crucial to the credit profile of the company

### **Improving profitability, albeit modest**

In FY2022, KMGCP's portfolio has grown owing healthy disbursement levels. The company's disbursements increased to Rs. 105.36 Cr as on March 31, 2022 from Rs. 24.57 Cr as on March 31. The company saw an increase in its Net interest income to Rs. 7.98 Cr for FY2022 (Prov) from Rs. 2.63 Cr for FY2021. The company's overall financial risk profile remains modest as marked by PAT of Rs. 0.55 Cr in FY2022 (Prov) marginally improving from Rs. 0.26 Cr in FY2021. The operating expense to earning assets is expected to remain high, presently around 6 percent as of March 31, 2022 (Prov), as the company is penetrating into newer geographies and increasing their overall staff count.

Acuite believes that going forward ability of the company to grow its loan portfolio while improving its profitability will be key monitorable.

### **Rating Sensitivity**

- Continued funding support from promoters as well as capital raising ability
- Movement in Asset Quality
- Change in capital structure
- Movement in earnings profile
- Changes in regulatory environment

### **Material Covenants**

KM Global Credit Private Limited is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

### **Liquidity Position**

KMGCP has well matched profile as on March 31, 2022 with no negative cumulative mismatches reported upto 1 year. The company has cash and bank balance of Rs 2.12 crores as on March 31, 2022. The company has undrawn term loan limits of Rs 37 Cr as on June 2022. Acuité takes note that the company's ability to raise fresh funds in a timely manner will be important from a liquidity perspective.

### **Outlook - Stable**

Acuité believes that KMGCP will benefit from its experienced management team and comfortable asset quality. The outlook may be revised to 'Positive' if there is significantly higher than expected growth in AUM while maintaining asset quality and improving profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of challenges in attaining optimal gearing levels and significant deterioration in asset quality or profitability parameters.

### **Key Financials - Standalone / Originator**

Particulars	Unit	FY22 (Prov)	FY21 (Actual)
Total Assets	Rs.	75.2	19.65

	Cr.		
Total Income (Net of Interest Expense)	Rs. Cr.	5.93	2.42
PAT	Rs. Cr.	0.55	0.26
Net Worth	Rs. Cr.	11.8*	3.44
Return on Average Assets (RoAA)	(%)	1.16	1.75
Return on Average Net Worth (RoNW)	(%)	7.24	8.55
Total Debt/Tangible Net Worth (Gearing)	Times	4.6	4.28
Gross NPAs	(%)	0.50%	4.05%
Net NPAs	(%)	0.50%	3.63%

\*Adjusted Networth stands at 28.38 Cr comprising of loans from Directors and relatives

#### Status of non-cooperation with previous CRA (if applicable):

Not Applicable

#### Any other information

None

#### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History:

not applicable

#### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	26.20	ACUITE BBB-   Stable   Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	8.80	ACUITE BBB-   Stable   Assigned

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Nitin Chavan Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:nitin.chavan@acuite.in">nitin.chavan@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.