



Press Release
K M Global Credit Private Limited
July 19, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE BBB- Stable Reaffirmed	-
Non Convertible Debentures (NCD)	15.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	90.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 75 Cr. bank facilities of K M Global Credit Private Limited (KMGCPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 15 Cr. non-convertible debentures (including the proposed facility) of K M Global Credit Private Limited (KMGCPL). The outlook is '**Stable**'.

Rationale for the rating

The rating continues to factor the experienced management, healthy capitalisation levels, & significant growth in AUM during FY24. The company saw an improvement in its capitalisation levels aided by equity infusion of ~Rs 14 Cr. by investors and LC Nueva. The CAR levels stood at 24.15 percent as on March 31, 2024(Prov.). The company's AUM grew from Rs. 156.75 Cr. as on March 31, 2023 to Rs. 253.16 Cr. as on March 31, 2024(Prov.). The financial risk profile of the company derives strength from its demonstrated ability to raise capital in the form of equity and debt. These strengths are partially offset by relatively small scale of operations, asset quality and limited vintage of the business operations.

Acuite takes note of increased focus on solar products, 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 loans in the education, solar/green energy segment and home decor.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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, 2023 grew significantly from Rs. 156.75 Cr. to Rs. 253.16 Cr. as on March 31, 2024(Prov.). Education loans constitute ~47 percent of the total POS followed by Solar/GE (~22 percent) and Home Decor loans (~15 percent) as on March 31, 2024 (Prov.) The company has FLDG arrangements with some of the merchant partners for solar products which provide risk cover on portfolio level. 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 of 96.88 percent for (Prov.) FY24, resulting to an on- time portfolio of 95.16 percent as on March 31, 2024(Prov.)

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 strengthened on account of capital infusion of ~Rs 14.00 crore up until April 2024, thus improving the Networth base of the company to ~ Rs 47.75 crore as on March 31, 2024 (Provisional) which previously stood at Rs 37.37 crore as on March 31, 2023 and Capital Adequacy Ratio (CAR) stood at 24.15 percent as on March 31, 2024(Prov.). 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 27 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 as on March 31, 2024(Prov.). 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.

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

Moderation in earning profile

In FY2024 (Prov.), KMGCPL's portfolio has grown owing healthy disbursement levels. The company's disbursements increased from Rs. 247.02 Cr. as on March 31, 2023 to Rs. 415.95 Cr. as on March 31, 2024(Prov.). The company's overall financial risk profile remains modest as marked by PAT of Rs. -0.26 Cr. in FY2024 (Prov) from Rs. 0.50 Cr in FY2023. The operating expense to earning assets is expected to remain high, presently around 8.47 percent as of March 31, 2024 (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

Liquidity Position

Adequate

KMGCPL has well matched profile as on March 31, 2024 with no negative cumulative mismatches. The company has cash and cash equivalents of Rs 14.27 crore as on March 31, 2024. 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 KMGCPL will benefit from its experienced management team and comfortable asset quality. The outlook is Stable. 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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Provisional)	FY23 (Actual)
Total Assets	Rs. Cr.	207.55	114.51
Total Income*	Rs. Cr.	17.18	13.13
PAT	Rs. Cr.	(0.26)	0.50
Net Worth	Rs. Cr.	47.75	37.37
Return on Average Assets (RoAA)	(%)	(0.16)	0.52
Return on Average Net Worth (RoNW)	(%)	(0.62)	2.02
Debt/Equity	Times	3.07	1.80
Gross NPA	(%)	1.45	0.86
Net NPA	(%)	1.16	0.62

*Total income equals to Net Interest Income plus other income.

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jul 2023	Term Loan	Long Term	8.80	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	26.20	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	3.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
08 Sep 2022	Term Loan	Long Term	8.80	ACUITE BBB- Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	26.20	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0JR707045	Non-Convertible Debentures (NCD)	24 Feb 2023	11.00	25 Feb 2024	Simple	1.50	ACUITE BBB- Stable Reaffirmed
Not Applicable	INE0JR707037	Non-Convertible Debentures (NCD)	24 Feb 2023	11.00	25 Feb 2024	Simple	3.50	ACUITE BBB- Stable Reaffirmed
Not Applicable	INE0JR707060	Non-Convertible Debentures (NCD)	04 Mar 2024	11.00	05 Mar 2025	Simple	2.25	ACUITE BBB- Stable Reaffirmed
Not Applicable	INE0JR707052	Non-Convertible Debentures (NCD)	04 Mar 2024	11.00	05 Mar 2025	Simple	0.87	ACUITE BBB- Stable Reaffirmed
Not Applicable	INE0JR707078	Non-Convertible Debentures (NCD)	04 Mar 2024	12.00	04 Mar 2026	Simple	2.43	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.45	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.51	ACUITE BBB- Stable Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	16 Feb 2023	Not avl. / Not appl.	16 Feb 2025	Simple	3.75	ACUITE BBB- Stable Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	04 Mar 2024	Not avl. / Not appl.	04 Mar 2027	Simple	14.17	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	31 Oct 2022	Not avl. / Not appl.	15 Oct 2025	Simple	6.81	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 Oct 2023	Not avl. / Not appl.	26 Oct 2026	Simple	11.01	ACUITE BBB- Stable Reaffirmed
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	31 Oct 2023	Not avl. / Not appl.	18 May 2025	Simple	6.67	ACUITE BBB- Stable Reaffirmed

A U Small Finance Bank	Not avl. / Not appl.	Term Loan	27 Mar 2024	Not avl. / Not appl.	18 Oct 2025	Simple	7.08	ACUITE BBB- Stable Reaffirmed
Unity Small Finance Bank Limited	Not avl. / Not appl.	Term Loan	31 May 2024	Not avl. / Not appl.	10 Dec 2026	Simple	5.00	ACUITE BBB- Stable Reaffirmed

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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.

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