



**Press Release**  
**KLM AXIV A FINV EST LIMITED**  
**February 22, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

**Rating Rationale**

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.100.00 Cr. Bank Loan facility of KLM Axiva Finvest Limited (KLM). The outlook is '**Stable**'.

**Rationale for Rating**

The rating assigned factors in the continuous growth in the scale of operations in the recent years, adequate capitalization level and moderate; albeit improving earning profile. The AUM of the company grew by 36 percent in FY2023 to Rs 1,460 Cr from Rs 1072.97 Cr in FY2022. It further grew to Rs 1,584.25 Cr in H1FY2024. The growth in AUM was owing to the uptick in disbursements. KLM disbursed loans amounting to Rs 2,624 Cr in FY2023 as against Rs 1,131 Cr in FY2022. KLM's capital adequacy ratio stands adequate at 24.40 percent with Tier 1 capital of 16 percent which is well above the regulatory minimum. KLM's profitability improved as reflected in its ROAA of 1.15 percent in FY2023 as against 1 percent in FY2022. KLM reported PAT of Rs 18.33 Cr in FY2023 as against Rs 11.38 Cr in FY2022. However, as the company is in expansion phase its operating expense to earning assets moderated to 7.45 percent in FY2023 as against 5.89 percent in FY2022. The operational costs are expected to rationalise in the coming years once the operational efficiency from the new branches is attained.

These strengths are partially offset by the company's geographical and funding profile concentration. The company's operations are highly concentrated in the states of Kerala (53 percent) and Karnataka (24 percent) as on Sept 2023. KLM's resource profile is concentrated towards the NCDs (public issued and privately placed) and sub-debt forming 94 percent of the total borrowings as on Sept'23. though the share of bank loans have been increasing it remains modest.

Going forward company's ability to continue increasing its scale of operations while maintaining its asset quality and improving its profitability metrics and mobilizing low cost funds will be key monitorable.

**About the company**

Hyderabad based KLM Axiva Finvest Limited was incorporated in 1997 as Needs Finvest Limited and in 2014, the current management took over and renamed it to KLM Axiva Finvest Limited . The company is led and promoted by the whole-time Director Mr Shibu Theckumpurath Varghese. As on September 30, 2023, 42.27% of the shareholding is held by promoters, directors and their relatives and the balance is held by other investors.

The company is engaged in lending business and offers gold loan, mortgage loan, vehicle loans, micro finance loans, etc. The company also provides foreign exchange services, money transfer and insurance broking services. The company has its branches in Andhra Pradesh, Tamil Nadu, Kerala, Hyderabad, Karnataka & Maharashtra.

**Unsupported Rating**

Not Applicable

## Analytical Approach

Acuité has adopted a standalone approach to analyse the business and financial profile of KLM Axiva Finvest Limited.

## Key Rating Drivers

### Strength

#### **Promoter support and experienced management team;**

The company is headed by Mr. Shibu Varghese (whole time director) who has more than 30 years of experience in the Financial Services and is supported by seasoned professionals for the daily operations. The current promoters took over the company in 2014 and have been running the company for a decade now with the support of management having an extensive experience of over a decade in the industry. The company benefits from the rich experience of the promoters in the home state which remained significant for the overall capital raising capability of the company.

Acuite believes that company will continue to benefit from the extensive experience of the promoters and management team along with Independent Director.

#### **Healthy growth in AUM and improving asset Quality;**

KLM's AUM grew by 36 percent year on year to Rs. 1,460 Cr as on March 31, 2023 as against Rs. 1073 Cr as on March 31, 2022 (Rs. 747 Cr as on March 31, 2021). It further grew to Rs 1,584.25 Cr in H1FY2024. The growth in AUM was owing to the uptick in disbursements, growth in number of branches and much focused business drives conducted by the company. KLM's Loan against gold contributes 66 percent to the total POS as on September 30, 2023, as the company now focuses to grow its gold loan book has aided in the improvement of its asset quality. The company's asset quality is marked by on time portfolio of 92.82 percent as on March 2023 as against 80.62 percent as on March 2022. KLM's asset quality improved from 4 percent GNPA and 2.70 percent NNPA in FY22 to 1.84 percent GNPA and 0.82 percent in FY23 with comfortable PCR of 55.76 percent. (H1FY24: GNPA: 1.67 percent; NNPA: 0.74 percent; PCR: 55.46 percent). The prudent underwriting policies adopted by the management and improving collection efficiency has enabled the company to improve its asset quality.

Acuité believes that going forward the ability of the company to maintain comfortable asset quality and growth momentum in AUM will be key rating sensitivity.

#### **Moderate; albeit improving earning profile;**

The growth in scale of operation in FY2023 is reflected in the interest income which grew to Rs 275.40 Cr in FY2023 from Rs 179.43 Cr in FY2022. However, as the company is in expansion phase its operating expense to earning assets moderated to 7.45 percent in FY2023 as against 5.89 percent in FY2022. The operational costs are expected to rationalise in the coming years once the operational efficiency from the new branches is attained. The company has reported a PAT of Rs 18.33 Cr with ROAA of 1.15 percent during FY2023 as against PAT of Rs 11.38 Cr and ROAA of 1 percent during FY2022.

Acuité believes that KLM will be able to sustain its financial performance and any impact on profitability metrics due to higher provisioning requirements would remain key monitorable.

### Weakness

#### **Leveraged capital structure;**

KLM is engaged in loans against gold and SME loans secured and unsecured for a period of 12 - 24 months. The company's networth stood at Rs. 256 Cr. and total debt stood at Rs. 1,503 Cr. as on September 30, 2023. The company's AUM stood at Rs. 1,584 Cr as on September 30, 2023 as compared to Rs. 1,073 Cr as on March 31, 2022. KLM's gearing stood at 5.87 times as on September 30, 2023 (5.43 times as on March 31, 2022). The total debt of Rs 1,503 Cr includes subordinated liabilities amounting to Rs 628 Cr. as on September 30, 2023. To support the growth momentum KLM would require further debt and considering the already leveraged capital structure the promoters may be required to infuse additional equity to support any future business growth.

Going forward, Acuité believes that the company's ability to manage its gearing levels will be a key monitorable and infusion of capital would be required for containing gearing levels and to support business growth.

### **Geographical and Funding profile concentration;**

KLM started its operations in the state of Kerala and gradually expanded to the states of Karnataka and Tamil Nadu and has recently expanded to other states like Hyderabad, Andhra Pradesh and Maharashtra thereby reducing the concentration in the state of Kerala. However, major concentration is in the state of Kerala with exposure of 53% as on Sept 30, 2023. KLM's resource profile is concentrated towards the NCDs (public issued and privately placed) and sub-debt forming 94 percent of the total borrowings as on Sept'23; though the share of bank loans have been increasing it remains modest.

Acuite believes that geographical concentration coupled with improved earning profile will continue to weigh on the company's credit profile.

### **Rating Sensitivity**

- Movement in capital structure and timely infusion of capital
- Movement in Cost of borrowing and maintenance of adequate liquidity
- Movement in AUM and its impact on asset quality
- Movement in profitability metrics.
- Movement in asset quality
- Changes in Regulatory environment

### **Liquidity Position Adequate**

KLM's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated September 30, 2023. ALM is comfortable mainly on account of shorter tenor of loans provided by KLM with access to longer tenure borrowings. As on September 30, 2023, the company had cash and bank balance of about Rs 81.41 Cr.

### **Outlook: Stable**

Acuité believes that KLM will maintain 'Stable' outlook over the near to medium term supported by the sustainable growth in its profitability along with timely infusion of capital. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while maintaining profitability, asset quality and capitalization indicators. The outlook may be revised to 'Negative' if the company faces challenges in raising fresh equity or long-term debt funding commensurate with its near-term business requirements and higher than expected deterioration in asset quality and profitability

### **Other Factors affecting Rating**

None

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

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets**	Rs. Cr.	1715.12	1468.66
Total Income*	Rs. Cr.	134.31	80.74
PAT	Rs. Cr.	18.33	11.38
Networth	Rs. Cr.	254.57	156.81
Return on Average Assets (RoAA)	(%)	1.15	1.00
Return on Net Worth (RoNW)	(%)	9.21	9.65

T o t a l Debt/Tangible Net Worth (Gearing)**	Times	5.43	8.00
Gross NPA	(%)	1.84	4.00
Net NPA	(%)	0.82	2.70

\*Total income equals to Total Income net off interest expense

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

None

**Any other information**

None

**Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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, Acuite 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](http://www.acuite.in)

**Rating History :**

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.07	ACUITE BBB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	25 Jul 2023	Not avl. / Not appl.	25 Jun 2026	Simple	25.00	ACUITE BBB   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	30 Apr 2022	Not avl. / Not appl.	30 Nov 2026	Simple	38.93	ACUITE BBB   Stable   Assigned

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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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