



Press Release
KLM AXIVA FINVEST LIMITED
April 04, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE BBB Stable Reaffirmed	-
Non Convertible Debentures (NCD)	250.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	450.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs.200.00 Cr. Bank Loan facility of KLM Axiva Finvest Limited (KLM). The outlook is ‘**Stable**’.

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs.250.00 Cr. Non Convertible Debentures of KLM Axiva Finvest Limited (KLM). The outlook is ‘**Stable**’.

Rationale for Rating

The rating reaffirmation continues to factors in the 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 ~18 percent in FY2024 to Rs 1,720.96 Cr. from Rs 1,460.32 Cr. in FY2023. The AUM for 9MFY25 stood at Rs 1729.66 Cr. KLM's capital adequacy ratio stands adequate at 23.66 percent with Tier 1 capital of 15.61 percent which is well above the regulatory minimum for FY24 and 23.80% for 9MFY25. KLM's profitability improved as reflected in its ROAA of 1.25 percent in FY2024 as against 1.15 percent in FY2023. KLM reported PAT of Rs 23.03 Cr. in FY2024 as against Rs 18.33 Cr. in FY2023. The company reported a PAT of Rs 11.22 Cr. for 9MFY25. However, as the company is in expansion phase its operating expense to earning assets moderated to 7.66 percent in FY2024 as against 7.45 percent in FY2023. 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 (~50 percent) and Karnataka (~22 percent) as on Mar 2024. KLM's resource profile is concentrated towards the NCDs (public issued and privately placed) and sub-debt forming ~90 percent of the total borrowings as on FY2024. though the share of bank loans have been increasing it remains modest.

Acuite also takes cognizance of the monetary penalty imposed on KLM Axiva Finvest Limited by Reserve Bank of India due to non-compliance with respect to dividend declaration. The non-compliance observed was due to not adhering to the prudential requirements as stipulated by RBI for the period from FY22 to FY24. The company provided the required submissions to RBI, however the charges against the company have been sustained. As a consequence, the company is imposed with the monetary penalty of Rs 10 lakhs by RBI. Going forward company's ability to continue increasing its scale of operations while maintaining its asset quality within stipulated levels 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 June 30, 2024, 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

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 ~18 percent year on year to Rs. 1,720.96 Cr. as on March 31, 2024 as against Rs. 1,460.32 Cr. as on March 31, 2023 (Rs. 1072.97 Cr. as on March 31, 2022). 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 62 percent to the total POS as on March 31, 2024, 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 96.73 percent for 9MFY25 as against 97.94 percent as on March 2024. KLM's asset quality improved from 1.84 percent GNPA and 0.82 percent NNPA in FY23 to 1.6 percent GNPA and 0.67 percent in FY24. 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 305.62 Cr. in FY2024 from Rs 275.40 Cr. in FY2023. However, as the company is in expansion phase its operating expense to earning assets moderated to 7.66 percent in FY2024 as against 7.45 percent in FY2023. 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 23.03 Cr. with ROAA of 1.25 percent during FY2024 as against PAT of Rs 18.33 Cr. and ROAA of 1.15 percent during FY2023.

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. 271.97 Cr. and total debt stood at Rs. 1,606.05 Cr. as on March 2024. The company's AUM stood at Rs. 1,720.96 Cr. as on March 24 as compared to Rs. 1,460.32 Cr. as on March 31, 2023. KLM's gearing stood at 5.91 times as on March 24 (5.43 times as on March 31, 2023). The total debt of Rs 1606.05 Cr. includes subordinated liabilities amounting to Rs 771.60 Cr. as on March 2024. 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 ~50% as on March 2024. KLM's resource profile is concentrated towards the NCDs (public issued and privately placed) and sub-debt forming 90 percent of the total borrowings as on Mar'24; 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
- Impact of any further regulatory action against the company

All Covenants

Subject to the terms of the Debenture Trust Deed, the Debenture Trustee at its discretion may give notice to the company specifying that the NCDs and or/any particular Options of NCDs, in whole but not in part are and have become due and repayable on such date as may be specified in such notice inter alia if any of the events of default including cross defaults, if any and consequences will be specified in the Debenture Trust Deed.

Upon Occurrence of an Event of Default, the Debenture Trustee of the NCD Holders as the case maybe, shall enforce the hypothecation and exercise the power of sale as set out under Clause 4 of Part B or any other right over the Movable properties conferred on the Debenture Trustee under the Deed.

All expenses incurred by the Debenture Trustee after an Event of Default has occurred in connection with:

i) preservation of the company's assets(whether then or thereafter existing); and ii)collection of amounts due in respect of the NCDs: shall be payable by the company.

Liquidity Position

Adequate

The company had cash and bank balance of about Rs 68.08 Cr. as on March 31, 2024 and as on September 30, 2024, the company had cash and cash equivalents of about Rs 40.79 Cr along with bank balances of Rs 77.04 Cr.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	1955.59	1715.12
Total Income*	Rs. Cr.	161.16	134.31
PAT	Rs. Cr.	23.03	18.33
Networth	Rs. Cr.	271.97	254.57
Return on Average Assets (RoAA)	(%)	1.25	1.15
Return on Net Worth (RoNW)	(%)	8.86	9.21
Total Debt/Tangible Net Worth (Gearing)	Times	5.91	5.43
Gross NPA	(%)	1.60	1.84
Net NPA	(%)	0.67	0.82

*Total income equals to Total Income net off interest expense

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Although Acuite requested an interaction with the Audit Committee the issuer entity was unable to arrange it.

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>
- 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
08 Oct 2024	Term Loan	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.04	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	30.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.36	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE BBB Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	5.15	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	13.38	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	2.42	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	15.25	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	4.45	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	10.54	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	16.68	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	7.40	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	27.68	ACUITE BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	22.01	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	21.52	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	32.12	ACUITE BBB Stable (Reaffirmed)
11 Jun 2024	Term Loan	Long Term	32.12	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	21.52	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	100.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.36	ACUITE BBB Stable (Reaffirmed)

22 Feb 2024	Term Loan	Long Term	38.93	ACUITE BBB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	11.07	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AA8	Non-Convertible Debentures (NCD)	08 Aug 2024	Not avl. / Not appl.	07 Mar 2031	5.15	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507984	Non-Convertible Debentures (NCD)	08 Aug 2024	10.75	07 Aug 2029	13.38	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507992	Non-Convertible Debentures (NCD)	08 Aug 2024	11.00	07 Aug 2029	2.42	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507976	Non-Convertible Debentures (NCD)	08 Aug 2024	10.25	07 Aug 2027	15.25	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AC4	Non-Convertible Debentures (NCD)	08 Aug 2024	10.50	07 Aug 2027	4.45	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507968	Non-Convertible Debentures (NCD)	08 Aug 2024	10.25	07 Aug 2026	10.54	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507950	Non-Convertible Debentures (NCD)	08 Aug 2024	10.00	07 Aug 2026	16.68	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507943	Non-Convertible Debentures (NCD)	08 Aug 2024	9.85	06 Feb 2026	7.40	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AB6	Non-Convertible Debentures (NCD)	08 Aug 2024	Not avl. / Not appl.	06 Dec 2025	27.68	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507935	Non-Convertible Debentures (NCD)	08 Aug 2024	9.50	11 Sep 2025	22.01	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AM3	Non-Convertible Debentures (NCD)	04 Dec 2024	Not avl. / Not appl.	03 Jul 2031	5.45	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AL5	Non-Convertible Debentures (NCD)	04 Dec 2024	11.00	03 Dec 2029	2.75	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AK7	Non-Convertible Debentures (NCD)	04 Dec 2024	10.75	03 Dec 2029	11.62	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AJ9	Non-Convertible Debentures (NCD)	04 Dec 2024	10.50	03 Dec 2027	2.72	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AI1	Non-Convertible Debentures (NCD)	04 Dec 2024	10.25	03 Dec 2027	10.24	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AH3	Non-Convertible Debentures (NCD)	04 Dec 2024	10.25	03 Dec 2026	7.52	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AG5	Non-Convertible Debentures (NCD)	04 Dec 2024	10.00	03 Dec 2026	17.02	Simple	ACUITE BBB Stable Reaffirmed

Not Applicable	INE01I507AF7	Non-Convertible Debentures (NCD)	04 Dec 2024	9.85	03 Jun 2026	5.05	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AE0	Non-Convertible Debentures (NCD)	04 Dec 2024	Not avl. / Not appl.	03 Apr 2026	14.30	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	INE01I507AD2	Non-Convertible Debentures (NCD)	04 Dec 2024	9.50	08 Jan 2026	19.61	Simple	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.	1.36	Simple	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.	25.04	Simple	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.	3.72	Simple	ACUITE BBB Stable Reaffirmed
South Indian Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	10 Nov 2023	Not avl. / Not appl.	28 Feb 2027	20.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	29 Dec 2023	Not avl. / Not appl.	25 Mar 2028	50.00	Simple	ACUITE BBB Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	07 Sep 2024	Not avl. / Not appl.	07 Sep 2027	20.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	30 Apr 2022	Not avl. / Not appl.	30 Nov 2026	32.12	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	25 Jul 2023	Not avl. / Not appl.	25 Jun 2026	21.52	Simple	ACUITE BBB Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Term Loan	04 Oct 2024	Not avl. / Not appl.	04 Jan 2028	11.00	Simple	ACUITE BBB Stable Reaffirmed

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