



Press Release
K M GLOBAL CREDIT PRIVATE LIMITED - ALOHA 09 2024
November 14, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	5.53	Provisional ACUITE BBB+ SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	5.53	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE Provisional BBB+ (SO)**' (read as **ACUITE Provisional triple B plus (Structured Obligation)**) to the Rs. 5.53 Cr. Pass Through Certificate (PTC) issued by ALOHA 09 2024 (The Trust) under a securitisation transaction originated by K M Global Credit Private Limited (The Originator). The series A1 PTCs is backed by a pool of loans consisting of Upskilling Edtech loans (Unsecured) and Rooftop Solar Loans (Secured) which comprises a principal outstanding of Rs. 6.32 Cr.

The provisional rating for the series A1 PTC addresses the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation.

The provisional rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available to the PTCs in the form of:

- i. Over collateralisation of 12.50% of the pool principal
- ii. Excess Interest Spread of 11.66% of the pool principal
- iii. Cash Collateral of 6.00% of the pool principal

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet
6. Any other document relevant to the transaction

About the Originator

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.

Assessment of the pool

K M Global Credit Private Limited (KMGCPL) has Asset Under Management of Rs. 253.16 Cr. as on Mar

31, 2024. The underlying pool of Rs. 6.32 Cr. in the current Pass Through Certificate (PTC) transaction comprises of Upskilling Edtech loans (Unsecured) consisting of 13.81% and Solar and Rooftop Loans (Secured) 86.19% which have been extended towards 271 borrowers, with an average ticket size of Rs. 3,00,600 , minimum ticket size of Rs. 41,500 and maximum of Rs. 16,56,928. The current average outstanding per borrower stands at Rs. 2,33,365. The pool has a healthy weighted average seasoning of 11.12 months (minimum 4 months seasoning and maximum of 32 months seasoning). Furthermore, none of

the loans in the pool had gone into the Non-CURRENT bucket since origination, which are healthy signs. 26.36% of the borrowers are concentrated in Uttar Pradesh followed by Maharashtra 12.51% and Madhya Pradesh 8.88 % of the Principal outstanding. The top 10 borrowers of pool constitute 14.90% (i.e. Rs.94.25 lakhs) of the pool principal O/s.

Credit Enhancements (CE)

The rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available to the Series A1 PTCs in the form of:

- i. Over collateralisation of 12.50% of the pool principal
- ii. Excess Interest Spread of 11.66% of the pool principal
- iii. Cash Collateral of 6.00% of the pool principal

Transaction Structure

The Provisional rating of Series A1 PTCs addresses the timely payment of the interest on each payout dates and ultimate payment of principal on final maturity date to the series A1 pass-through certificates (PTCs) investors, in accordance with the transaction documentation.

Brief Methodology

Parameters considered are seasoning of the pool, pool vs portfolio comparison, portfolio cuts, amortisation of the pool, internal cash flow modeling, pool characteristics, static pool, dynamic DPDs to assign provisional rating.

Legal Assessment

The provisional rating is based on a draft term sheet. The conversion of rating from provisional to final, shall include, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects. The final rating will be assigned based on the fulfilment of the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, accounts agreement, assignment agreement and other documents relevant to the transaction.

Key Risks

Counterparty Risks

The average ticket size of the pool is Rs. 3,00,600, minimum ticket size of Rs. 41,500. and maximum of Rs. 16,56,928. Considering the credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

Concentration Risks

The underlying pool of Rs. 6.32 Cr. in the current Pass Through Certificate (PTC) transaction comprises of Upskilling Edtech loans (Unsecured) consisting of 13.81% and Solar and Rooftop Loans (Secured) 86.19% have been extended towards 271 borrowers. The top 10 borrowers of pool constitute 14.90% (i.e. Rs. 94.25 lakhs) of the pool principal O/s.

Servicing Risk

There is limited track record of servicing PTCs, since this is the first PTC transactions for the originator rated by Acuité.

Regulatory Risk

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Prepayment Risk

The pool is subject to prepayment risks since rate of interest is significantly high and borrowers may be inclined to shift to low cost options (based on availability). Prepayment risks are partially mitigated by prepayment penalty levied by the company for pre-closures. In case of significant prepayments, the PTC holders will be exposed to interest rate risks, since the cash flows from prepayment will have to be deployed at lower interest rates.

Commingling Risk

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

Key Rating sensitivity

- Collection performance of the underlying pool
- Credit quality of the underlying borrowers
- Decrease in cover available for PTC payouts from the credit enhancement

All Covenants (Applicable only for CE & SO Ratings)

PORTFOLIO AND RECEIVABLES CRITERIA

Top State concentration to be not more than 30% of the Pool Principal

Receivables comprising the Receivables shall be identified on the basis of criteria specified below:

- Minimum Holding Period (MHP) of the Receivables should meet the criteria set under the Securitization Guidelines;
- Balance Tenor of the underlying loans to be more than 365 days
- Loans are existing at the time of selection, and have not been terminated or prepaid;
- Compliance with "know your customer" norms specified by the RBI;
- Loans are not overdue and are current as of cutoff date;

The Loans should not have been rescheduled or restructured by the Seller up to the Cut-off Date save and except for moratorium availed by certain Obligors from March 2020 to August 2020 pursuant to the RBI notification no. RBI/2019-20/244 dated May 23, 2020 read with RBI notification no. RBI/2019-20/186 dated March 27, 2020 and RBI Notification dated April 17, 2020 Compliance with "know your customer" norms specified by the RBI.

All Assumptions

Acuité has arrived at a base case delinquency estimate basis its analysis of the company's historical static pool and further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates. The loss estimate also consider the risk profile of the particular asset class, the borrower strata, economic risks, collection efficiency over the past several months as well as the credit quality of the originator. Acuité also has simulated the potential losses to an extent by applying sensitivity analysis.

Liquidity Position

Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 6.00 percent of the pool principal. The PTC payouts will also be supported by an internal credit enhancement in the form of Overcollateral (12.50 percent of pool principal) and excess interest spread (11.66 percent of pool principal)

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets**	Rs. Cr.	208.61	114.51
Total Income*	Rs. Cr.	17.10	13.13
PAT	Rs. Cr.	(2.57)	0.50
Net Worth	Rs. Cr.	48.96	37.37
Return on Average Assets (RoAA)	(%)	(1.59)	0.52
Return on Average Net Worth (RoNW)	(%)	(5.95)	2.02
Debt/Equity	Times	2.99	1.80
Gross NPA	(%)	1.45	0.86
Net NPA	(%)	1.19	0.62

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

**Total assets adjusted to Deferred Tax liability

Any other information

None

Status of disclosure of all relevant information about the Obligation being Rated

Public Information

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuité will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation

In the absence of the pending steps/documents the PTC structure would have become null and void, and Acuité would not have assigned any rating.

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

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. Acuité'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.

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Pass Through Certificate	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.53	Highly Complex	Provisional ACUITE BBB+ SO 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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