



Press Release
K M GLOBAL CREDIT PRIVATE LIMITED - ALOHA 09 2024
January 10, 2025
Rating Assigned

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has assigned and converted from Provisional to Final long-term rating of ‘**ACUITE BBB+ (SO)**’ (read as **ACUITE 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 final rating has been assigned as the following documents have been received:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet
6. Other relevant documents: (Account Agreement, Power of Attorney, Asset Audit report, KYC Audit report, Information Memorandum)

The rating is converted from provisional to final based on the adherence to the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, assignment agreement, final term sheet and other documents 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 having 12.51% of the pool principle outstanding 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.

Transaction Structure

The 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. Certificates in the nature of pass-through certificates representing

an undivided beneficial interest in the trust property of the SPV will be issued to the subscribers in One series, namely the Series A1 PTCs (being the senior tranche). Receivables of the Seller is proposed to be securitised by way of assignment for Purchase Consideration out of the issue proceeds of the PTCs.

In the event that the collections received in the Collection Period preceding a Payout Date are insufficient to meet the payment of yield to the Series A1 PTCs on the given Payout Date as per the expected payout schedule, then drawdowns may be made upon the External Credit Enhancement on that Payout Date to make whole such insufficiency, to the extent of External Credit Enhancement available.

Also, subject to applicable law, at any time after the residual value i.e., value of outstanding principal of the Facilities comprising the Receivables, falls below 10% of the aggregate principal of the Facilities comprising the Receivables on the Cut Off Date, the Seller will have the option to buy fully performing Facilities underlying the Receivables, exercisable by the Seller in its sole discretion (**Clean Up Call Option**). This option may be exercised only if, at the time of exercise of the Clean Up Call Option by the Seller, the amount available under the Credit Enhancement is greater than the principal balance of non-performing Facilities comprising the Receivables.

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 the rating.

Legal Assessment

The final rating is assigned based on the adherence to the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, assignment agreement, final term sheet and other documents relevant to the transaction.

Key Risks

Counter Party 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 Risks

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

Regulatory Risks

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

Prepayment Risks

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.

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

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

- Adherence to terms and conditions, as stipulated in the Transaction Documents

All Covenants

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 Obligor 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.

Chartered Accountants shall carry out a sample audit of contracts included in the Receivables to determine their existence, whether they meet with the selection criteria and whether they have adequate documentation. The portfolio audit certificates will be available with the Trustee for inspection.

Additionally, In case of happening of any of the following events during the tenure of the PTCs:

- The Cumulative Collection Efficiency in respect of the Pool is less than 95% for any 2 consecutive payouts and/or;

- The PAR>90 of the Pool is more than 5.00% of the Initial Principal Outstanding.

then, 100% EIS shall be utilized to make principal payments to the Series A1 investors as long as the Series A1 PTCs are live.

Further, the Servicer Event of Default as per the term sheet will include, *inter alia*:

- Insolvency and insolvency analogous event.
- Breach of terms of any Transaction Documents that has a material adverse effect on its ability to continue to perform its obligations under the Transaction Documents or is likely to be prejudicial to the Receivables to the Trustee under the Assignment Agreement in any way, including the collection of the Receivables and/or commencement of enforcement proceedings in respect of Receivables
- Failure of two successive discretionary audits testing the ability of the Servicer to meet the standards with respect to collection standards, management, governance, internal systems and processes, and data integrity, as may be required by the Trustee. The Trustee may authorise an independent agency to conduct such discretionary audits on the Servicer on its behalf.

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 Non-public information

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.

Applicable Criteria

- 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>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Nov 2024	Pass Through Certificate	Long Term	5.53	ACUITE Provisional BBB+ (SO) (Assigned)

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	24 Oct 2024	12.50	28 Feb 2029	5.53	Highly Complex	ACUITE BBB+ SO Assigned Provisional To Final

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Nattasha Venkatesh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.