



Press Release

Kiara Microcredit Private Limited (KMPL)

February 27 2025

Ratings

Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facility – Term Loan	4.20 (Reduced from Rs. 24.50)	IVR BB+ / Stable Outlook (IVR Double B plus, with Stable Outlook)	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed and outlook revised from Positive to Stable	<u>Simple</u>
Long Term Fund Based Bank Facility – Term Loan	25.25	IVR BB+ / Stable Outlook (IVR Double B plus, with Stable Outlook)	-	Assigned	<u>Simple</u>
Long Term Fund Based Bank Facility – Term Loan	0.00* (Previously Rs.11.98)	-	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Withdrawn	<u>Simple</u>
Proposed Long Term Fund Based Facility – Term Loan	30.55 (Reduced from Rs. 35.50)	IVR BB+ / Stable Outlook (IVR Double B plus, with Stable Outlook)	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed and outlook revised from Positive to Stable	<u>Simple</u>
Total			Rs. 60.00 Rupees Sixty Crore Only		

**Withdrawn as No due certificate received from the lender*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings assigned to the bank facilities of KMPL reflects experienced and professional management, improving scale of operations, moderate asset



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quality and comfortable capitalization. However, ratings are partially constrained by geographical concentration risk, and competitive nature of industry.

Infomerics Ratings expects outlook to remain stable with stable growth in AUM along with expected stable asset quality and comfortable capitalisation levels driven by internal accruals and periodic equity infusion by promoters.

The bank facilities aggregating to INR 11.98 crore are being fully repaid and No due Certificate has been received from the banker. The rating is withdrawn in accordance with Infomerics policy on withdrawal and as requested by the company.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained scaling up its operations and diversifying its loan portfolio geographically, while maintaining healthy asset quality indicators, comfortable capital position and liquidity

Downward Factors

- Substantial deterioration in operations impacting capital position, liquidity, and profitability.
- Adverse movements in collection efficiency impacting asset quality of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and professional management**

KMPL began its lending operations in 2017. The company is promoted by a group of highly qualified Company Secretaries and Chartered Accountants. Its executive directors, Mr. Gokul and Mr. Sankar, along with Mr. Avinash, bring extensive experience from the financial services industry, which significantly strengthens the company's business profile. Additionally, the board of directors comprises other seasoned professionals who provide strong oversight, ensuring the implementation of prudent lending practices, stringent credit assessments, and effective monitoring. This collective expertise has been instrumental in



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shaping the company's robust operational framework. Infomerics Ratings believes that the strong leadership and active involvement of the promoter and management will contribute significantly to the company's long-term success and growth.

- **Improving Scale of operations**

KMPL's total operating income has shown growth of 11.52%, to Rs. 22.00 crore in FY24 (period refers from 01st April 2023 to 31st March 2024), compared to FY23. This improvement is attributed to an increase in loan disbursements, further supported by collaborations and partnerships as a business correspondent (BC) for its off-book portfolio. KMPL's assets under management (AUM) have increased from Rs. 85.73 crore (including off-book AUM of Rs. 5.65 crore) in FY23 to Rs. 96.48 crore (including off-book AUM of Rs. 8.10 crore) in FY24, driven by growth in microfinance loans. The Net Interest Income (NII) has slightly improved to Rs. 12.72 crore in FY24, from Rs. 12.18 crore in FY23. This improvement is attributed to growth in AUM and improved realizations from the loan portfolio. The Net Interest Margin (NIM) also deteriorated, although it remained healthy at 15.10% in FY24, compared to 16.22% in FY23, due to an increase in interest expense to Rs. 8.87 crore in FY24, compared to Rs. 6.83 crore in the previous year. Infomerics Rating believes the continued growth of AUM, supported by the ongoing expansion of branches and strengthened partnerships with lenders. This combination is expected to sustain the positive growth momentum.

- **Comfortable capitalization**

KMPL's overall CRAR stood comfortably at 59.58% in FY24 (compared to 54.87% in FY23), which is well above the regulatory requirement of 15%, providing the company with sufficient headroom to continue its growth and further expand its portfolio and branches. Furthermore, the Total CRAR remained stood comfortably at 60.19% and Tier I CRAR at 30.19% in 9MFY25. KMPL's tangible net worth increased to Rs. 26.33 crore in FY24, compared to Rs. 21.97 crore in FY23, driven by the accumulation of profits in reserves and surplus, as well as an equity infusion of Rs. 2.00 crore in FY24. Infomerics believes KMPL's CRAR is expected to remain comfortable, supported by current leverage and moderate growth in AUM.



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- **Moderate asset quality**

The asset quality has improved remained moderate with GNPA and NNPA and stood at 0.68 % and 0.34% for FY24 compared to FY23 it stood at 1.09% and 0.54% respectively. This improvement in asset quality is attributed to the company's enhanced collection efficiency and a reduction in slippages, which resulted in better recoveries and fewer overdue payments in FY24 compared to FY23. However, due to ongoing stress in the MFI sector, both the GNPA and NNPA ratios increased in 9MFY25, to 2.93% and 1.46%, respectively. This deterioration was largely driven by overexposure to MFI sector customers, who had borrowed from multiple NBFCs, creating repayment pressure and resulting in slippages. Consequently, this led to a rise in GNPA and NNPA. KMPL has taken proactive measures to address the overdue amounts and reduce slippages coupled with increasing the share of secured book through Loan Against Property (LAP) Loans. A key aspect to monitor will be KMPL's capability to manage slippages and healthy asset quality in the near term.

Key Rating Weaknesses

- **Geographical concentration risk**

KMPL's operations are concentrated in the states of Tamil Nadu and Kerala. Around 99% of the total revenue is derived from the state of Tamil Nadu, and less than 1% of the total revenue comes from Kerala, which exposes the company to significant geographical concentration risk. As of December 31, 2024, KMPL operates through 29 branches, all situated in Tamil Nadu and Kerala. This single-state focus poses challenges in diversifying its operational base and mitigating risks associated with geographical dependence.

- **Competitive nature of industry**

KMPL is exposed to stiff competition from other varied other NBFCs and banks. The MFI segment and Laps is experiencing increasing competition from banks and non-banking financial companies (NBFCs).

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Financial Institutions/NBFCs](#)

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instrument/Facilities](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Policy on Withdrawal of Ratings.](#)

Liquidity – Adequate

Considering the scale of operations as on March 31, 2024, KMPL is well capitalized with CRAR (%) of 59.58 %. Also, it has adequately matched asset liability profile as on 30.09.2024. KMPL's cash and cash equivalents stood at Rs. 6.13 crore as on November 30, 2024. Additionally, KMPL tangible net worth has increased to Rs. 26.33 crore in FY24 (period refers to 01st April 2023 to 31st March 2024) compared to Rs. 21.97 crore in FY23 on account of accretion of profits to reserves surplus as well as an equity infusion of Rs. 2.00 crore in FY24. CRAR is expected to remain comfortable, supported by current leverage and moderate growth in AUM.

About the Company

Kiara Microcredit Private Limited (KMPL) is an NBFC-MFI incorporated in 2016 by its promoters under the Companies Act, 2013 and was registered with the RBI in 2017. Kiara Microcredit Private Limited (KMPL) provides unsecured Micro Finance loans as well as secured loans to micro entrepreneurs and self-employed individuals for business purpose. KMPL core focus areas would include MFI loans, MSME finance, retail lending, gold loans, vehicle loans, asset creation and extension of loan for home renovation and improvements. KMPL offer tailor made secured business loan products to our existing and new customers in two states (Tamil Nadu and Kerala). Loans will be provided for furthering/ developing the existing business of the customers and for starting a new business through business loan and mortgage Loan.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	19.73	22.00
PAT	2.05	2.36
Tangible Net worth	21.97	26.33
Total Loan Assets (including off book)	85.73	96.48
Ratios		
NIM (%)	16.22	15.10
ROTA (%)	2.47	2.50
Interest Coverage (times)	1.41	1.34
Total CRAR (%)	54.87%	59.58%
Gross NPA [Stage III] (%)	1.09%	0.68%
Net NPA [Stage III] (%)	0.54%	0.34%

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Bank Facility – Term Loan	Long Term	4.20 (Reduced from Rs. 24.50)	IVR BB+ / Stable Outlook	(January 10, 2024) IVR BB+ / Positive Outlook	(November 15, 2023) IVR BB+ / Stable Outlook	-
2.	Long Term Fund Based Bank Facility – Term Loan	Long Term	25.25	IVR BB+ / Stable Outlook	-	-	-
3.	Long Term Fund Based Bank Facility – Term Loan	Long Term	0.00* (Previously Rs. 11.98)	-	(January 10, 2024) IVR BB+ / Positive Outlook	(November 15, 2023) IVR BB+ / Stable Outlook	-



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
4.	Proposed Long Term Fund Based Facility – Term Loan	Long Term	30.55	IVR BB+ / Stable Outlook	(January 10,2024) IVR BB+/ Positive Outlook	(November 15,2023) IVR BB+ / Stable Outlook	-

**Withdrawn as No due certificate received from the lender*

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit <http://www.infomerics.com/>.



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISI N	Date of Issuan ce	Coupo n Rate/ IRR	Maturity Date	Listing Status	Size of Facility (Rs. Crore)	Rating Assign ed/ Outloo k
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2025	-	0.42	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2025	-	0.14	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	28-Feb- 2026	-	2.05	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	28-Feb- 2026	-	0.64	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2026	-	0.63	IVR BB+ / Stable Outlook
Long Term Fund Based Bank	-	-	-	31-Jul-2025	-	0.32	IVR BB+ /



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Name of Facility/ /Security	ISI N	Date of Issuan ce	Coupo n Rate/ IRR	Maturity Date	Listing Status	Size of Facility (Rs. Crore)	Rating Assign ed/ Outloo k
Facility – Term Loan							Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	30-Sep- 2025	-	1.25	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2025	-	0.27	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	30-May- 2025	-	0.45	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	30-Sep- 2025	-	0.58	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Jan- 2026	-	3.82	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Dec- 2025	-	2.74	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	28-Feb- 2026	-	1.88	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	30-Apr-2026	-	1.41	IVR BB+ / Stable Outlook



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Name of Facility/ /Security	ISI N	Date of Issuan ce	Coupo n Rate/ IRR	Maturity Date	Listing Status	Size of Facility (Rs. Crore)	Rating Assign ed/ Outloo k
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2026	-	1.97	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Jul-2026	-	1.21	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Dec- 2026	-	1.25	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Jul-2025	-	0.54	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Dec- 2025	-	1.38	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Jan- 2026	-	0.37	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Jan- 2026	-	2.17	IVR BB+ / Stable Outlook
Long Term Fund Based Bank Facility – Term Loan	-	-	-	31-Mar- 2026	-	1.70	IVR BB+ / Stable Outlook
Long Term Fund	-	-	-	30-Apr-2026	-	2.26	IVR BB+ /



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Name of Facility/ /Security	ISI N	Date of Issuan ce	Coupo n Rate/ IRR	Maturity Date	Listing Status	Size of Facility (Rs. Crore)	Rating Assign ed/ Outloo k
Based Bank Facility – Term Loan							Stable Outlook
Proposed Long Term Fund Based Facility – Term Loan	-	-	-	-	-	30.55	IVR BB+ / Stable Outlook

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Kiara-Microcredit-27feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com