



## Press Release

### Kiara Microcredit Private Limited (Kiara Microcredit)

January 10, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facility – Term Loan	24.50 (Increased from Rs. 17.23)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed; Outlook Revised to Positive	Simple
Proposed Long Term Fund Based Facility – Term Loan	35.50 (Increased from Rs. 17.77)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Rating Reaffirmed; Outlook Revised to Positive	Simple
<b>Total</b>		<b>60.00</b> <b>(INR Sixty Crores only)</b>		

Details of Facilities are provided in Annexure I

#### Detailed Rationale

Positive outlook reflects expected overall improvement in financial & operational parameters in FY24 & beyond, coupled with expected equity infusion of around Rs.10.00 crore in the current quarter.

Further, The rating reaffirmation for the bank loan facilities of Kiara Microcredit Private Limited (KMPL) continues to derives strength from its experienced promoters and management, adequate capitalization.

The rating is however constrained by moderate scale of operations albeit improving, and unseasoned MSME portfolio & competitive nature of industry



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial growth in loan portfolio resulting in improved revenues and profitability, liquidity and capitalization of the company

#### **Downward Factors**

- Substantial decrease in revenues and profitability coupled with deterioration in asset quality and liquidity levels of the company.
- Any delay in projected capital infusion as envisaged.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

#### **Experienced promoters and management:**

Kiara Microcredit commenced its lending operations from 2017. It is promoted by Group of Company secretaries and Chartered accountants. Its executive directors Mr. Gokul & Mr. Sankar along with Mr. Avinash have extensive experience in the financial services industry which supports the business profile of the Company. Also, on its board are other experienced professionals who maintain strong oversight on the business, which has helped the Company in placing prudent lending practices with stringent credit assessment and monitoring.

#### **Adequate capitalisation:**

Kiara Microcredit has an adequate capitalisation profile, with the capital to risk weighted assets ratio (CRAR) of 54.87% as on 31 March 2023, compared with the minimum regulatory requirement of 15%. The promoters have infused Rs.2.00 Crores in FY23 which has resulted in increase of Net worth from Rs.17.93 Crores in FY22 to Rs 21.97 Crores in FY23. The company is planning to infuse another Rs.10 Cr by March 31, 2024. The overall gearing of the company stood at 3.00 times.



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### Key Rating Weaknesses

#### **Moderate scale of operations albeit improving**

The company has shown consistent growth in the loan portfolio in the last 3 years. However, the company's scale of operations still remains moderate, with a loan portfolio of Rs.80.08 Crore as on 31 March 2023. The same has increased to Rs 85.83 Crore in H1FY24. Company have ready sanctions from different Banks and Financial Institutions Rs 13.75 Crores in hand which are ready to disburse and also KMPL is confident that they will reach the Rs 100.00 Cr AUM by end of FY24. The company currently operates in three states through 26 branches (24 in TN and one each in Kerala and Orissa) and has a customer base of over 46240 members as of 30 Sep 2023. Tamil Nadu contributes 87.50% of the total portfolio, which exposes the company to high geographic concentration risk. However, the company is planning to increase their operations PAN India into Palghat in Kerala, Karnataka.

#### **Moderate Asset Quality**

KMPL primarily offers ~93% of micro business loans to borrowers in the rural and semi-urban markets. These are small-ticket-size microfinance loans (Rs 10,000 to Rs 60,000) given under the Joint Liability Group (JLG) model and ~7% of MSME loans which have a ticket size up to 4lacs. Company's GNPA have marginally increased from 0.00% in FY22 to 1.09% in FY23, NIL NPA level in FY22 is due to unseasoned portfolio, as the portfolio gets seasoned by crossing many numbers of cycles asset quality will also improve. however constant efforts are made to bring down the GNPA levels for the FY24. NNPA have also marginally increased from 0.00% in FY22 to 0.54% in FY23.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for NBFCs](#)



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### [Criteria of assigning rating outlook](#)

#### **Liquidity – Adequate**

The company is adequately capitalized with a CAR (%) of 54.87% as on March 31st, 2023, and Net worth of Rs 21.97 Crores. Also, it has adequately matched asset liability profile as on Sept 30st, 2023. As on 30 Sept 2023, the company has cash and bank balances of Rs 4.11 Crores, and FDs of 2.48 Crores.

#### **About the Company**

Kiara Microcredit private limited (KMPL) is an NBFC MFI incorporated in the year of 2016 by its promoters under the Companies Act 2013 and was registered with RBI in the year 2017. KMCL provides micro finance loan to women from poor and low-income household in India through its branches. KMCL main focus is to provide multiple financial requirements of economically backward customers through that it can encourage and strengthen their business activities with ensured income generation.

#### **Financials (Standalone):**

INR in crore

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Income	14.60	19.73
PAT	2.33	2.05
Loan portfolio	70.12	80.08
Tangible Net worth	17.93	21.97
Total Debt	51.65	65.99
Gearing (Times)	2.88	3.00
GNPA (%)	0.00	1.09
NNPA (%)	0.00	0.54
CRAR (%)	51.14	54.87

\* Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Nov 15, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Bank Facility – Term Loan	Long Term	24.50 (Increased from Rs. 17.23 Crores)	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	IVR BB+/Stable	-	-
2.	Proposed Long Term Fund Based Facility – Term Loan	Long Term	35.50 (Increased from Rs. 17.77 crores)	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	IVR BB+/Stable	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Amit Bhuwania Tel: (022) 62396023 Email: <a href="mailto:abhswanaia@infomercis.com">abhswanaia@infomercis.com</a>
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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, 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 visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	Up to March 2026	24.50	IVR BB+/Positive
Proposed Term Loans	-	-	-	35.50	IVR BB+/Positive



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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Kiara-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com).