

RATING RATIONALE

23 March 2022

Kosamattam Finance Ltd

Brickwork Ratings assigns and reaffirms the ratings of Kosamattam Finance Limited's Bank loan facilities and Non convertible debentures (NCDs) aggregating to Rs 2,400 Crs.

Particulars:

Instruments / Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (13 Jan 2022)	Present
Non Convertible Debentures (NCDs)	900	900	Long Term	BWR BBB+/ Stable Reaffirmation	BWR BBB+/ Stable Reaffirmation
Fund Based - Bank loan facilities	1300	1300	Long Term	BWR BBB+/ Stable Reaffirmation	BWR BBB+/ Stable Reaffirmation
Fund Based - Fresh Bank loan facilities (proposed)	-	200	Long Term	-	BWR BBB+/ Stable Assignment
Total	2,200	2,400	INR Two Thousand Four Hundred Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**Details of NCDs and Bank loan facilities are provided in Annexures I & II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) assigns 'BWR BBB+/Stable' to the fresh proposed Fund Based Bank Loans of Rs.200 Crs, reaffirms 'BWR BBB+/Stable' rating for existing fund based bank loan facilities of Rs 1300 Crs and reaffirms 'BWR BBB+/Stable' rating for Non convertible debentures of Rs 900 Crs as tabulated above, of Kosamattam Finance Limited (hereafter referred to as "KFL" or the Company).

The rating assignment/reaffirmation continues to factor in the vast experience of the promoters with established track record in gold loan business, steady growth in the loan book, comfortable capitalization & liquidity, stable asset quality and improvement in earning. The rating is however constrained by the inherent risks associated with gold loans and geographical concentration risk.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N.A.

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced promoters with an established track record:** Kosamattam group has over four decades of experience in providing loans against gold jewellery. Mr. Mathew K Cherian is the present Chairman and Managing Director of Kosamattam Group and is a fourth generation entrepreneur in the family. He is well supported by an experienced board of directors and management. The company 's board consists of 3 independent directors.
- **Improvement in Capitalisation:** The company's net worth increased to Rs.521 Crs in FY21 (FY20: Rs.420 Crs), and it was Rs.561 Crs as of 30 Sep 2021 and further improved to Rs 633 Crs as on 31 Dec 2021. There has been a regular capital infusion since the recent past. Capital to risk weighted assets ratio has improved to (CRAR) to 20.09% as on 31 Dec 21 from 19.69% as on 30 Sep 2021 & 18.60% as on 31 Mar 2021 and 17.87% as on 31 Mar 2020, and had Tier I capital ratio of 15.26% as on 31 Dec 21 (14.59% as at 30 Sep 2021, 13.58% as on 31 Marc 21 and 12.86% as on 31 Mar 20). The improvement in CRAR is on the strength of infusion of equity of Rs 57.51 Crs during the FY 22 (upto Dec 31) and retention of major part of the profit. With the improvement in the network, the leverage ratio has improved to 6.21 as on 31 Dec 21 from 6.64 as on 31 Mar 2021 and was expected to improve further in the ensuing years. Profits after tax (PAT) was Rs.65 Crs for FY21 (on a total income of Rs 542 Crs) from Rs.48 Crs for FY 20 (on a total income of Rs 499 Crs). It has continued to maintain the profits in line with its past trends and reported PAT of Rs.55 Crs for 9 months ended 30 Dec 2021 on a total income of Rs.459 Crs.
- **Steady Growth in the loan book and Moderate asset quality:** Over the years the company has been able to increase its loan book consistently. The Gross loan portfolio had increased to Rs.3,199 Crs at the end of FY 21 from Rs.2,719 Crs as at the end of FY20 and Rs.2,330 Crs as at the end of FY19. Loan book has increased further to Rs 3363 Crs as on 31 Dec 21. The Gold loan continues to constitute 98% of the total loan portfolio as on 31 Dec 21.
- As on 31 Dec 21, the company's overall GNPA has slightly increased from 1.45% as on 31 Mar 21 (1.59% as on 31 Mar 20) to 1.75% as on 31 Dec 21 and NNPA rose to 1.08 % as on 31 Dec 21 from 0.87% as on 31 Mar 21 (FY20: 1.07%) due to decline in collection efficiency during Q1 of FY22 on account of lockdowns amid 2nd wave of Covid-19 Pandemic. However the disbursements and collection efficiency had improved in Q3FY22 expected to improve going forward. The collection efficiency had improved from 91% in Dec 2021 to 96% in Feb 2022. Gold Loan NPA constitutes 40% of total GNPA as on 31 Dec 21. There were no write offs made during the 9M FY 22 and no write off is expected for FY 23. The company expects better recoveries during the month



of March 22 and is expected to reduce the NPA level as at the end of FY 22 as below the FY 21 level.

- The average loan to value ratio for the non gold loan portfolio was ~60%, and of gold loan portfolio was ~70%-72%. 47% of the Gold loan portfolio has LTV in the range of 70-75% and 37% in the range of 50%-70%. The company's ability to recover the arrears and manage the asset quality while increasing the loan portfolio would remain a key rating monitorable.

Credit Risks:-

- **Inherent risks associated with gold loan:** Being a gold loan finance company, KFL is exposed to inherent risks such as price fluctuation of Gold, operational risks such as theft, burglary and intensive competition.
- **Geographical and Product concentration risk:** KFLs loan portfolio is largely concentrated with ~98% of total loans to southern states of India and the fact that ~98% of the loans are gold loans, exposes the company to geographical and product concentration risks.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at this rating, BWR has considered the standalone financial profile of KFL and applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Substantial increase in AUM and profitability with sustained asset quality will be key rating positives

Negative: Substantial deterioration in asset quality, increase in gearing levels and lower than expected profitability will be key rating negatives.

LIQUIDITY POSITION: Adequate

As on 28 Feb 22, the company had a liquidity of Rs.259 Crs which consisted Rs.106 Crs of unencumbered cash and bank balances and Un-Utilized bank loans of Rs. 152.62 Crs. The company has scheduled average monthly collection of Rs 550 Cr which is adequate to repay the scheduled debt repayment of Rs 785 Cr for the period from March 22 to Oct 22.

Hence, the liquidity position of the company seems adequate. The company avails fund based working capital facilities in the form of cash credit and WCDL, and its continued renewal on a timely basis is expected considering the past trends and present performance. The Company is able to raise FB facilities from Banks/ FI and has sanctions in the pipeline of Rs 200 crs as on 28 Feb 22.

COMPANY PROFILE

Kosamattam Finance Ltd(KFL) headquartered in Kottayam, Kerala is a RBI registered systemically important, non-deposit taking NBFC primarily engaged in the Gold Loan business, lending money against the pledge of household Jewelry (“**Gold Loans**”) in the state of Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Delhi, Maharashtra, Gujarat and in the Union Territory of Pondicherry with 985 branches as on Dec 2021. Further they also have a ‘Full Fledged Money Changers’ (**FFMC**) license bearing number FE.CHN.FFMC.40/2006.

The Kosamattam group was originally founded by Mr. Nasrani Varkey. His great grandson, Mr. Mathew K Cherian, is the present Chairman and Managing Director of Kosamattam Group and is a fourth generation entrepreneur in the family. As on 31 March 2021, the company’s loan book stood at Rs. 3199 crores with gold loans constituting around 98% of the total loan book.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY20	FY21
Result Type		Audited	Audited
Loan Portfolio	Rs in Crs	2,719	3,199
Total Income	Rs in Crs	499	542
PAT	Rs in Crs	48	65
GNPA	%	1.59	1.45
NNPA	%	1.07	0.87
CRAR	%	17.87	18.60
Networth	Rs in Crs	418	521
Gearing	Times	6.85	6.64
ROA	%	1.52	1.78

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Sl. No.	Instrument /Facility	Current Rating (2022)			Rating History		
		Type	Amount (RsCr)	Rating	2021	2020	2019
1.	NCDs	Long Term	200	BWR BBB+ Stable Reaffirmed	13 Jan 22 BWR BBB+/ Stable Reaffirmed 24 Sep 2021 BWR BBB+/ Stable Reaffirmed 12 Aug 2021 BWR BBB+/ Stable Assigned	-	-
2.	NCDs	Long Term	350	BWR BBB+ Stable Reaffirmed	13 Jan 22 BWR BBB+/ Stable Reaffirmed 24 Sep 2021 BWR BBB+/ Stable Reaffirmed 12 Aug 2021 BWR BBB+/ Stable Reaffirmed 13 Mar 2021 BWR BBB+/ Stable Reaffirmed	4 Dec 2020 BWR BBB+ Stable Assigned	-
3.	NCDs	Long Term	350	BWR BBB+ Stable Reaffirmed	13 Jan 22 BWR BBB+/ Stable Reaffirmed 24 Sep 2021 BWR BBB+/ Stable Reaffirmed 12 Aug 2021	-	-

					BWR BBB+/ Stable Reaffirmed 13 Mar 2021 BWR BBB+/ Stable Assigned		
4.	Fund Based - Bank Loans	Long Term	1,300	BWR BBB+ Stable Reaffirmed	13 Jan 22 BWR BBB+/ Stable Assigned/ Reaffirmed 24 Sep 2021 BWR BBB+/ Stable Assigned/ Reaffirmed 12 Aug 2021 BWR BBB+/ Stable Reaffirmed 13 Mar 2021 BWR BBB+/ Stable Assigned	-	-
5	Fund Based - Bank Loan	Long Term	200	BWR BBB+ Stable Assigned	-	-	-
Total			2,400	INR Two Thousand and Four Hundred Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS:

Bank Loans: **Simple**

NCD: **Simple**

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institutions](#)

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Kosamattam Finance Limited

Annexure I: Details of Bank Loan Facilities

Sl. No.	Bank/Financial Institution	Type of Facilities	Long Term (Rs in Cr)	Short Term (Rs in Cr)	Total (Rs in Cr)
1	Bank of Baroda	Cash Credit	75.00	-	75.00
		Term Loan	33.33	-	33.33
2	Bank of Maharashtra	Term Loan	88.74	-	88.74
3	Canara Bank	Term Loan	107.11	-	107.11
4	CSB	WCDL	50.00	-	50.00
5	DCB Bank	WCDL	30.00	-	30.00
6	Dhanlaxmi Bank	Cash Credit	15.00	-	15.00
		WCDL	35.00	-	35.00
7	Federal Bank	Cash Credit	0.80	-	0.80
		WCDL	1.20	-	1.20
		Term Loan	73.00	-	73.00
8	IDFC First Bank	Term Loan	46.21	-	46.21
9	Indian Bank	Cash Credit	10.00	-	10.00
		Term Loan	25.00	-	25.00
10	Karur Vysya Bank	Cash Credit	5.00	-	5.00
		WCDL	45.00	-	45.00
		Term Loan	25.00	-	25.00
11	Punjab National Bank	Cash Credit	10.00	-	10.00
		WCDL	15.00	-	15.00
12	South Indian Bank	Cash credit	50.00	-	50.00
		WCDL	75.00	-	75.00
13	State Bank of India	Cash Credit	60.00	-	60.00
		WCDL	90.00	-	90.00
		Term Loan	92.86	-	92.86
14	TATA Capital Financial Services	Term Loan	23.48	-	23.48

15	Union Bank of India	Cash Credit	30.00	-	30.00
		WCDL	45.00	-	45.00
16	Northern Arc	Term Loan	50.00	-	50.00
Total Outstanding amount					1206.73
Total proposed amount					293.27
Total amount rated					1500.00
Total Rupees One Thousand Five Hundred Crores only.					

*Term loan Outstanding as on Feb 28, 2022.

Annexure II: INSTRUMENT (NCDs) DETAILS

Instrument	Issue Date	Amount O/s as on 28.02.22 Rs. Crs.	Coupon Rate (%)	Maturity Date	ISIN Particulars
NCD 21	23/01/2021	12.60	9.25	22/07/2023	INE403Q07BN2
NCD 21	23/01/2021	34.61	9.34	22/07/2023	INE403Q07BO0
NCD 21	23/01/2021	148.98	10.00	22/04/2024	INE403Q07BP7
NCD 21	23/01/2021	36.80	10.67	22/01/2025	INE403Q07BQ5
NCD 21	23/01/2021	11.81	10.71	22/07/2026	INE403Q07BR3
NCD 21	23/01/2021	12.04	10.25	22/01/2028	INE403Q08217
NCD 21	23/01/2021	15.93	10.41	22/01/2028	INE403Q08225
NCD 22	29/04/2021	43.32	8.00	03/06/2022	INE403Q07BU7
NCD 22	29/04/2021	12.60	8.5	28/04/2023	INE403Q07BV5
NCD 22	29/04/2021	7.18	9.25	28/04/2024	INE403Q07BW3
NCD 22	29/04/2021	24.33	9.31	28/04/2024	INE403Q07BX1
NCD 22	29/04/2021	103.22	10.00	28/10/2024	INE403Q07BY9
NCD 22	29/04/2021	46.71	10.67	28/04/2025	INE403Q07BZ6
NCD 22	29/04/2021	11.32	10.25	28/10/2026	INE403Q08233
NCD 22	29/04/2021	14.53	10.41	28/04/2028	INE403Q08241
NCD 23	30/09/2021	54.61	8.30	29/05/2023	INE403Q07CA7
NCD 23	30/09/2021	24.22	8.50	29/09/2023	INE403Q07CE9
NCD 23	30/09/2021	5.04	9.00	29/09/2024	INE403Q07CF6
NCD 23	30/09/2021	36.30	9.5	29/09/2024	INE403Q07CB5
NCD 23	30/09/2021	135.84	10.00	29/03/2025	INE403Q07CG4
NCD 23	30/09/2021	26.59	10.22	29/11/2025	INE403Q07CC3
NCD 23	30/09/2021	0.31	9.00	29/09/2027	INE403Q07CH2
NCD 23	30/09/2021	17.09	10.41	29/09/2028	INE403Q07CD1
		835.98			
Add: Proposed NCD		64.02			
Total NCD to be rated		900.00			



ANNEXURE III

List of entities consolidated - NA

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