

April 26, 2023

## Infina Finance Private Limited: Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	2,000.00	2,500.00	[ICRA]A1+; assigned/reaffirmed
Commercial paper programme (IPO financing)	9,000.00	2,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>11,000.00</b>	<b>4,500.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating factors in the financial flexibility enjoyed by Infina Finance Private Limited (Infina) by virtue of being an associate of the Kotak Mahindra Bank Group. Kotak Mahindra Capital Company Limited (KMCC), a wholly-owned subsidiary of Kotak Mahindra Bank Limited {KMBL; rated [ICRA]AAA (Stable)}, holds a 49.99% stake in Infina while the balance is held by the Kotak family through other closely-held entities. The rating also considers the company's strong capitalisation.

Infina's earnings profile is, however, exposed to the volatility in the capital markets as 94% of its loan book is accounted by loan against securities (LAS) and the demand for LAS could be impacted by market cycles. The company's profitability in FY2023 has also been impacted by the regulatory restrictions on the initial public offering (IPO) financing business. Infina undertakes proprietary positions in the equity market, which adds volatility to its profitability. Further, the loan book is concentrated, given the single loan product and the moderate scale of the loan book, while the liabilities are also concentrated towards commercial paper (CP) funding. However, Infina's comfortable asset quality and history of negligible credit losses provide comfort.

While Infina's gearing remains modest, it typically increases for ~one to two weeks when the company utilises its CP for proprietary IPO applications. The company maintains the regulatory capital requirements on a continuous basis, including the borrowings for the proprietary IPO book.

### Key rating drivers and their description

#### Credit strengths

**Support from Kotak Mahindra Bank Group** – KMCC (wholly-owned subsidiary of KMBL) held a 49.99% stake in Infina, as on December 31, 2022, while closely-held entities of the Kotak family held the balance. As it is an associate of the Kotak Mahindra Bank Group, Infina enjoys considerable financial flexibility in raising funds at competitive rates. ICRA expects support from the promoters to be forthcoming in case of any requirement. Further, the Board of the entity has senior executives from Kotak Mahindra Bank Group. Infina's senior management has been with other Kotak Group entities prior to joining the company.

**Strong capitalisation** – The company's capitalisation remains strong with a net worth of Rs. 2,273 crore as on December 31, 2022 and a modest gearing of 0.50 times. The Tier 1 capital adequacy ratio stood at 65.3% as on December 31, 2022. The strong capitalisation has been supported by internal accruals and the moderate scale of operations. With expectations of an increase in the scale of the loan book, ICRA expects the company's borrowings and gearing to increase in the near to medium term. However, the existing capitalisation is likely to support the growth in the medium term.

## Credit challenges

**Volatility in earnings profile** – Proprietary trading (both realised and unrealised gains) and interest income from LAS have been the two major sources of income for Infina (LAS accounted for 94% of the overall loan book as of 9M FY2023). As a result, the revenue profile remains significantly exposed to the inherent volatility in the securities market. The company reported a profit after tax (PAT) of Rs. 71 crore in 9M FY2023 compared to Rs. 270 crore in FY2022. With the volatility in the equity markets, the net gains on the investment book declined to Rs. 1 crore in 9M FY2023 compared to Rs. 232 crore in FY2022. Further, net interest income was lower in FY2023 due to the compression in the spreads for the LAS book with the increased cost of short-term funding through CPs and the regulatory restrictions on the IPO financing business. This was partly offset by lower operating expenses. The company has wound down its proprietary trading book in March 2023, given its outlook on the equity market. Hence, the profitability would be driven by the interest spreads and the scale of the LAS portfolio in the near term.

**Concentration in loan book and liabilities** – The loan book grew to Rs. 2,768 crore as on December 31, 2022 from Rs. 2,239 crore as on March 31, 2022. While the company has been diversifying into the retail segment, the loan book largely comprises larger ticket size promoter and high-net-worth individual (HNI) LAS. The loan book remains concentrated with the top 20 exposures forming a sizeable portion of the portfolio (87% of the portfolio and 106% of the net worth as on December 31, 2022). Given the LAS-focussed portfolio, the size of the loan book and the value of the collateral remain exposed to the inherent volatility in the capital markets. ICRA takes comfort from the lending against liquid securities and the adequate security cover, which mitigates the credit risk. The company's asset quality remains comfortable with no history of any credit losses.

Further, the liabilities remain concentrated with the entire borrowings from CPs. The dependence on CPs exposes the company to market volatility which could constrain funding availability. ICRA, however, notes the company's policy of maintaining liquidity on the balance sheet for meeting repayments due in the next 45 days. Also, majority of the loan book has put/call options at 3 months/6 months/1 year, which can be exercised for liquidity management, if required.

## Liquidity position: Strong

As on March 31, 2023, the company had a free cash and bank balance and liquid investments of Rs. 185 crore against the total debt (CP) outstanding of Rs. 702 crore maturing between April 2023 and September 2023. The liquidity is further supported by the call/put options in the loan book at 3 months/6 months/1 year which can be exercised for liquidity management resulting into positive cumulative gaps across all the buckets as per the Statement of Structural Liquidity as on December 31, 2022. Given the reliance on CP, the company's ability to roll over its borrowings will remain a key rating monitorable. ICRA, however, notes that Infina has the ability to raise funds at competitive rates as it is an associate of the Kotak Mahindra Bank Group.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – A material change in the expected level of support from the Kotak Mahindra Bank Group or a significant deterioration in the credit risk profile of the Kotak Mahindra Bank Group could warrant a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Non-banking Finance Companies Rating Approach - Implicit Parent or Group Support</a>
Parent/Group support	Group Support: Kotak Mahindra Bank Group The rating factors in the financial flexibility enjoyed by Infina by virtue of being an associate company of the Kotak Mahindra Bank Group. Further, capital support from the promoters is expected to be forthcoming if required.
Consolidation/Standalone	Standalone

## About the company

Infina Finance Private Limited is a non-deposit taking non-banking financial company (NBFC) involved in lending against securities and proprietary trading. It also has private equity investments though the scale remains small in relation to total assets. The company's net worth was built in 2006 when certain strategic investments were divested, with Infina deriving large capital gains. Infina is an associate company of the Kotak Group, with Kotak Mahindra Capital Company Limited (KMCC), a wholly-owned subsidiary of KMBL, holding a stake of 49.99% in the company. The balance is closely held by the Kotak family.

## Key financial indicators (audited)

	FY2021	FY2022	9M FY2022	9M FY2023
Total income	356	536	458	150
Profit / (loss) after tax	226	270	224	71
Net worth	1,931	2,202	2,156	2,273
Loan book	1,364	2,239	2,268	2,768
Total assets	2,281	3,163	3,342	3,436
Return on assets	11.30%	9.9%	10.6%	2.9%
Return on net worth	12.45%	13.1%	14.6%	4.2%
Gross gearing (times)	0.16	0.42	0.53	0.50
Gross stage 3	0.4%	0.0	0.0	0.0
Net stage 3	0.2%	0.0	0.0	0.0
Solvency (Net stage 3/Net worth)	0.2%	0.0	0.0	0.0
CRAR	92.21%	71.16%	58.97%	65.63%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; 9M FY2023 financials are provisional

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years						
		Amount Rated (Rs. crore)	Amount Outstanding as on Apr 15, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021		
				Apr 26, 2023	Apr 06, 2022	Jul 19, 2021	Apr 16, 2021	Sep 24, 2020	Sep 10, 2020	Jul 31, 2020
1	Commercial paper programme (IPO financing)	2,000.00	-	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
2	Commercial paper programme	2,500.00	1,027.00	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme (IPO financing)	Very Simple
Commercial paper programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE879F14GZ5	Commercial paper programme	Mar 31, 2023	8.40	Apr 27, 2023	30.00	[ICRA]A1+
INE879F14GV4	Commercial paper programme	Jan 27, 2023	7.75	May 16, 2023	100.00	[ICRA]A1+
INE879F14GN1	Commercial paper programme	Dec 08, 2022	8.00	May 19, 2023	75.00	[ICRA]A1+
INE879F14GN1	Commercial paper programme	Dec 23, 2022	7.75	May 19, 2023	25.00	[ICRA]A1+
INE879F14GW2	Commercial paper programme	Feb 22, 2023	7.90	May 24, 2023	75.00	[ICRA]A1+
INE879F14GI1	Commercial paper programme	Dec 01, 2022	8.01	Jun 02, 2023	65.00	[ICRA]A1+
INE879F14GM3	Commercial paper programme	Dec 08, 2022	8.05	Jun 09, 2023	100.00	[ICRA]A1+
INE879F14GY8	Commercial paper programme	Mar 28, 2023	7.85	Jun 22, 2023	25.00	[ICRA]A1+
INE879F14GR2	Commercial paper programme	Dec 16, 2022	8.00	Jun 27, 2023	30.00	[ICRA]A1+
INE879F14GR2	Commercial paper programme	Mar 27, 2023	7.89	Jun 27, 2023	100.00	[ICRA]A1+
INE879F14GT8	Commercial paper programme	Dec 20, 2022	8.00	Jul 11, 2023	27.00	[ICRA]A1+
INE879F14GU6	Commercial paper programme	Dec 28, 2022	7.75	Jul 14, 2023	50.00	[ICRA]A1+
INE879F14GK7	Commercial paper programme	Dec 01, 2022	8.43	Nov 30, 2023	175.00	[ICRA]A1+
INE879F14GX0	Commercial paper programme	Feb 27, 2023	8.60	Feb 27, 2024	150.00	[ICRA]A1+
Not yet placed	Commercial paper programme	NA	NA	NA	1,473.00	[ICRA]A1+
Not yet placed	Commercial paper (IPO financing) programme	NA	NA	NA	2,000.00	[ICRA]A1+

Source: Company; Data as on April 15, 2023

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Anil Gupta**  
+91 124 4545 314  
[anilg@icraindia.com](mailto:anilg@icraindia.com)

**Neha Parikh**  
+91 22 6114 3426  
[neha.parikh@icraindia.com](mailto:neha.parikh@icraindia.com)

**Harsh Mange**  
+91 22 6114 3451  
[harsh.mange@icraindia.com](mailto:harsh.mange@icraindia.com)

**Jui Kulkarni**  
+91 22 6114 3427  
[jui.kulkarni@icraindia.com](mailto:jui.kulkarni@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.