

September 17, 2024

Kotak Mahindra Prime Limited: [ICRA]AAA (Stable) assigned to NCD programme and [ICRA]A1+ assigned for bank facilities; other ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	-	4,000.00	[ICRA]AAA (Stable); assigned
Non-convertible debentures	9,675.90	9,675.90	[ICRA]AAA (Stable); reaffirmed
Commercial paper (IPO financing) programme^	6,500.00	6,500.00	[ICRA]A1+; reaffirmed
Commercial paper programme	9,000.00	9,000.00	[ICRA]A1+; reaffirmed
Subordinated debt programme	400.30	400.30	[ICRA]AAA (Stable); reaffirmed
Nifty linked debentures	41.25	41.25	PP-MLD[ICRA]AAA (Stable); reaffirmed
Long-term bank lines–Unallocated	6,391.00	-	-
Long-term/Short-term – Fund based/Non-fund based – others	-	6,391.00	[ICRA]AAA (Stable); reaffirmed /[ICRA]A1+; assigned
Total	32,008.45	36,008.45	

*Instrument details are provided in Annexure I

^Assigned for application on proprietary account

Rationale

The ratings are supported by Kotak Mahindra Prime Limited (KMPL) being the subsidiary of Kotak Mahindra Bank Limited (KMBL¹). The ratings consider the shared brand name and supervision by a strong board. The ratings also factor in the company's demonstrated ability of managing the auto finance business for more than 25 years through various economic cycles, its healthy earnings profile and strong capitalisation. The company's capitalisation remains strong with an adjusted gearing² of 3.3 times as on June 30, 2024. Given the healthy internal accruals, KMPL does not have any capital infusion requirements in the medium term, though ICRA expects capital support from KMBL, if required. The profitability remains healthy with a return on average total assets {RoTA; profit after tax (PAT)/average total assets (ATA)} of 2.3% in FY2024 (3.0% in FY2023).

The asset quality for the company remained comfortable with gross and net stage 3 at 2.5% and 0.9%, respectively, as on June 30, 2024 (3.1% and 1.6%, respectively, as on March 31, 2022). Further, KMPL's strong credit assessment process and its track record of managing cycles in the auto financing industry provide comfort. While the company has been diversifying its AUM in new retail products such as loan against property (LAP), passenger vehicle finance (including dealer financing) continued to account for 74% of the AUM as on June 30, 2024. Moreover, as the LAP portfolio seasons, the asset quality of this segment will also be monitorable.

The Stable outlook reflects KMPL's strong capitalisation and ICRA's expectations that the company's established presence in the auto finance business will continue to support growth and profitability.

¹ Rated [ICRA]AAA (Stable) for infrastructure bond programme

² Adjusted gearing = total debt/Tier I

Key rating drivers and their description

Credit strengths

Strong parentage and capitalisation – KMBL holds a 51% stake in KMPL, while the balance is held by Kotak Securities Limited (KSL; rated [ICRA]AAA (Stable)/[ICRA]A1+), which, in turn, is a 100% subsidiary of KMBL. Consequently, KMPL enjoys strong financial and operational support from the Kotak Group, which in the past, has comprised access to capital, management and systems and supervision by a strong board. The company also benefits from its shared brand name with the Kotak Group.

Adjusted for investments in Group companies, KMPL has a Tier-I capital of Rs. 9,007 crore against a reported net worth of Rs. 12,028 crore. In ICRA's view, KMPL is strongly capitalised, and its capital adequacy ratio stood at 24.0% (Tier I of 23.2%) as on June 30, 2024. The capitalisation is supported by healthy profit accretion and the gearing stood at 2.4 times as on June 30, 2024 compared to 2.2 times as on March 31, 2023. Even on an adjusted basis (for equity investments in group companies), the capitalisation remains strong with debt/Tier I of 3.3% as on June 30, 2024 compared to 2.7 times as on March 31, 2023. KMPL's AUM grew by 20% YoY to Rs. 35,397 crore as on March 31, 2024 and further to Rs. 36,910 crore as on June 30, 2024. Given the company has been gradually scaling up its LAP portfolio, which has a relatively longer amortisation tenor, the growth in the loan portfolio is expected to be high. However, given the healthy profitability, KMPL does not have any capital infusion requirements in the medium term, though capital support is expected from the parent, as and when required. Further, by virtue of being a part of the Kotak Group, KMPL enjoys considerable financial flexibility in raising long-term funds at competitive rates. It continues to have a strong liquidity profile with sufficient unutilised bank lines and no material asset-liability mismatches.

Healthy profitability – The profitability of the company is supported by the healthy net interest margins (NIMs) and low credit costs. While the operating expenses increased in the last two financial years with the expansion in distribution network and product suite, it remained at 1.9% of ATA in FY2024 (1.5% in FY2022). Adjusted for equity investments in group companies, the core profitability will be higher. The credit cost normalised in FY2024 against the reversal of excess credit provisions in FY2023, which led to the decline in RoTA (2.3% in FY2024 compared to 3.0% in FY2023). Despite the decline, the profitability remained healthy. For Q1 FY2025, KMPL reported PAT of Rs. 230 crore compared to Rs. 216 crore in Q1 FY2024. ICRA expects that KMPL would continue to report healthy profitability.

Credit challenges

Loan book largely comprising passenger vehicle finance – With passenger vehicle loans and dealer financing forming a significant part (74% as on June 30, 2024) of its portfolio, the company's business is dependent on retail car sales volumes. ICRA takes comfort from KMPL's long and successful track record and strategic arrangements with various car manufacturers in India as their preferred financier. The company has ventured into the retail LAP segment (12% of the AUM as on June 30, 2024), which is expected to support its loan book diversification, though the asset quality of the same will be a monitorable as the loan book seasons. Further, within vehicle loans, KMPL has a presence in two-wheeler financing (~8% of the AUM as on June 30, 2024). The lumpy corporate portfolio has declined to 1% of the AUM as on June 30, 2024.

Liquidity position: Strong

As on July 31, 2024, the company had unencumbered cash and cash equivalents of Rs. 3,035 crore and sanctioned and undrawn bank lines of Rs. 4,422 crore. This is adequate to meet the scheduled debt obligations for over five months. KMPL did not have any negative cumulative mismatches in the Statement of Structural Liquidity (SLS) as on July 31, 2024. It enjoys considerable financial flexibility as a part of the Kotak Group.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – A material change in the expected level of support from the parent or a material deterioration in the credit risk profile of the parent could warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Non-banking Finance Companies
Parent/Group support	Parent: Kotak Mahindra Bank Limited KMBL is the ultimate holding company of KMPL, with a direct and indirect stake of 100%. The ratings factor in the high likelihood of support from KMBL, given the shared brand name and representation on the board.
Consolidation/Standalone	Standalone

About the company

Kotak Mahindra Prime Limited (KMPL) was established as Kotak Mahindra Primus Limited in 1996 as a 60:40 joint venture between Kotak Mahindra Bank Limited (KMBL) and Ford Credit International (FCI). FCI exited the venture in 2005, and the company was subsequently renamed Kotak Mahindra Prime Limited. At present, KMBL has a 51% stake in KMPL, and the balance is held by Kotak Securities Limited, which is a wholly-owned step-down subsidiary of KMBL.

KMPL is one of the leading nationwide car finance companies and has strategic arrangements with various car manufacturers in India as their preferred financier. In addition to financing new and used cars, KMPL offers two-wheeler financing, inventory and infrastructure funding to car dealers. It entered the retail LAP segment in FY2022. The company has a network of 155 branches across the country, supported by direct market associates, brokers and agencies for distribution.

Key financial indicators (audited)

KMPL	FY2023	FY2024	Q1 FY2025 [^]
Total income	2,994	3,920	1,143
Profit / (loss) after tax	948	868	230
Total assets	34,108	41,607	NA
Return on assets	3.0%	2.3%	NA
Reported gearing (times)	2.2	2.4	2.4
Gross stage 3	2.4%	2.5%	2.5%
CRAR	28.5%	25.2%	24.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; [^]Unaudited
Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2025			FY2024		FY2023		FY2022	
			Sep 17, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper programme (IPO financing)^	Short-term	6,500.00	[ICRA]A1+	15-Apr-2024	[ICRA]A1+	29-Jun-2023	[ICRA]A1+	25-Oct-2022	[ICRA]A1+	13-Aug-2021	[ICRA]A1+
				-	-	09-Nov-2023	[ICRA]A1+	-	-	15-Feb-2022	[ICRA]A1+
				-	-	27-Dec-2023	[ICRA]A1+	-	-	-	-
Commercial paper programme	Short-term	9,000.00	[ICRA]A1+	15-Apr-2024	[ICRA]A1+	29-Jun-2023	[ICRA]A1+	25-Oct-2022	[ICRA]A1+	13-Aug-2021	[ICRA]A1+
				-	-	09-Nov-2023	[ICRA]A1+	-	-	15-Feb-2022	[ICRA]A1+
				-	-	27-Dec-2023	[ICRA]A1+	-	-	-	-
Subordinated debt programme	Long-term	400.30	[ICRA]AAA (Stable)	15-Apr-2024	[ICRA]AAA (Stable)	29-Jun-2023	[ICRA]AAA (Stable)	25-Oct-2022	[ICRA]AAA (Stable)	13-Aug-2021	[ICRA]AAA (Stable)
				-	-	09-Nov-2023	[ICRA]AAA (Stable)	-	-	15-Feb-2022	[ICRA]AAA (Stable)
				-	-	27-Dec-2023	[ICRA]AAA (Stable)	-	-	-	-
Subordinated debt programme	Long-term	-	-	-	-	29-Jun-2023	[ICRA]AAA (Stable); reaffirmed and withdrawn	25-Oct-2022	[ICRA]AAA (Stable); reaffirmed and withdrawn	13-Aug-2021	[ICRA]AAA (Stable)
				-	-	09-Nov-2023	[ICRA]AAA (Stable); reaffirmed and withdrawn	-	-	15-Feb-2022	[ICRA]AAA (Stable)
Non-convertible debentures	Long-term	4,000.00	[ICRA]AAA (Stable)	-	-	-	-	-	-	-	-
Non-convertible debentures	Long-term	9,675.90	[ICRA]AAA (Stable)	15-Apr-2024	[ICRA]AAA (Stable)	29-Jun-2023	[ICRA]AAA (Stable)	25-Oct-2022	[ICRA]AAA (Stable)	13-Aug-2021	[ICRA]AAA (Stable)
				-	-	09-Nov-2023	[ICRA]AAA (Stable)	-	-	15-Feb-2022	[ICRA]AAA (Stable)
				-	-	27-Dec-2023	[ICRA]AAA (Stable)	-	-	-	-
Non-convertible debentures	Long term	-	-	-	-	29-Jun-2023	[ICRA]AAA (Stable); reaffirmed and withdrawn	25-Oct-2022	[ICRA]AAA (Stable); reaffirmed and withdrawn	13-Aug-2021	[ICRA]AAA (Stable)
				-	-	-	-	-	-	15-Feb-2022	[ICRA]AAA (Stable)

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2025			FY2024		FY2023		FY2022	
			Sep 17, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Nifty linked debentures	Long term	41.25	PP-MLD [ICRA]AAA (Stable)	15-Apr-2024	PP-MLD [ICRA]AAA (Stable)	29-Jun-2023	PP-MLD [ICRA]AAA (Stable)	25-Oct-2022	PP-MLD [ICRA]AAA (Stable)	13-Aug-2021	PP-MLD [ICRA]AAA (Stable)
				-	-	09-Nov-2023	PP-MLD [ICRA]AAA (Stable)	-	-	15-Feb-2022	PP-MLD [ICRA]AAA (Stable)
				-	-	27-Dec-2023	PP-MLD [ICRA]AAA (Stable)	-	-	-	-
Long-term bank lines—Unallocated	Long term	0.00	-	15-Apr-2024	[ICRA]AAA (Stable)	29-Jun-2023	[ICRA]AAA (Stable)	25-Oct-2022	[ICRA]AAA (Stable)	13-Aug-2021	[ICRA]AAA (Stable)
				-	-	09-Nov-2023	[ICRA]AAA (Stable)	-	-	15-Feb-2022	[ICRA]AAA (Stable)
				-	-	27-Dec-2023	[ICRA]AAA (Stable)	-	-	-	-
Long Term/Short term – Fund base/Non Fund base – others	Long term/short term	6,391.00	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	-	-	-

[^]Assigned for application on proprietary account

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme (IPO financing)	Very Simple
Commercial paper programme	Very Simple
Subordinated debt programme	Very Simple
Non-convertible debentures	Very Simple
Nifty linked debentures [^]	Moderately Complex
Long Term/Short term – Fund base/Non Fund base – others	Very Simple

[^]The complexity indicator mentioned is subject to change when the terms of the instrument are eventually finalised

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE916D142W6	Commercial paper programme	Nov 09, 2023	7.95	Nov 05, 2024	325.00	[ICRA]A1+
INE916D143C6	Commercial paper programme	Feb 13, 2024	8.22	Feb 05, 2025	475.00	[ICRA]A1+
INE916D143E2	Commercial paper programme	Mar 06, 2024	8.10	Mar 05, 2025	215.00	[ICRA]A1+
INE916D143F9	Commercial paper programme	Apr 05, 2024	7.90	Jan 03, 2025	200.00	[ICRA]A1+
INE916D143M5	Commercial paper programme	Jun 21, 2024	7.93	May 26, 2025	65.00	[ICRA]A1+
INE916D143P8	Commercial paper programme	Jul 10, 2024	7.93	Jun 05, 2025	400.00	[ICRA]A1+
INE916D143Q6	Commercial paper programme	Jul 10, 2024	7.93	May 05, 2025	350.00	[ICRA]A1+
INE916D143S2	Commercial paper programme	Aug 23, 2024	7.80	Aug 07, 2025	115.00	[ICRA]A1+
Not yet placed	Commercial paper programme	-	-	-	6,855.00	[ICRA]A1+
INE916DA7RP6	Non-convertible debentures	Jul 19, 2022	7.79	Jul 19, 2027	650.00	[ICRA]AAA (Stable)
INE916DA7RS0	Non-convertible debentures	Aug 26, 2022	7.475	Aug 20, 2026	575.00	[ICRA]AAA (Stable)
INE916DA7RW2	Non-convertible debentures	Oct 25, 2022	7.924	Feb 20, 2026	670.00	[ICRA]AAA (Stable)
INE916DA7RX0	Non-convertible debentures	Nov 04, 2022	7.9866	Sep 17, 2027	650.00	[ICRA]AAA (Stable)
INE916DA7SE8	Non-convertible debentures	Feb 28, 2023	8.05	Feb 28, 2028	185.00	[ICRA]AAA (Stable)
INE916DA7SF5	Non-convertible debentures	Mar 14, 2023	8.255	Jun 22, 2026	500.00	[ICRA]AAA (Stable)
INE916DA7SH1	Non-convertible debentures	Apr 17, 2023	7.97	May 22, 2026	420.00	[ICRA]AAA (Stable)
INE916DA7SI9	Non-convertible debentures	May 22, 2023	7.835	Jul 10, 2026	450.00	[ICRA]AAA (Stable)
INE916DA7SJ7	Non-convertible debentures	Jul 13, 2023	7.83	Jul 13, 2028	325.00	[ICRA]AAA (Stable)
INE916DA7SL3	Non-convertible debentures	Nov 09, 2023	8.09	Nov 09, 2026	600.00	[ICRA]AAA (Stable)
INE916DA7SM1	Non-convertible debentures	Dec 15, 2023	8.20	Dec 15, 2028	650.00	[ICRA]AAA (Stable)
INE916DA7SN9	Non-convertible debentures	Jan 11, 2024	8.20	Jan 11, 2027	650.00	[ICRA]AAA (Stable)
INE916DA7SO7	Non-convertible debentures	Feb 21, 2024	8.225	Apr 21, 2027	650.00	[ICRA]AAA (Stable)
INE916DA7SQ2	Non-convertible debentures	Mar 15, 2024	8.05	Mar 15, 2029	650.00	[ICRA]AAA (Stable)
INE916DA7SS8	Non-convertible debentures	Apr 24, 2024	8.05	Apr 24, 2029	405.00	[ICRA]AAA (Stable)
INE916DA7ST6	Non-convertible debentures	May 02, 2024	8.13	Aug 18, 2027	554.30	[ICRA]AAA (Stable)
INE916DA7SV2	Non-convertible debentures	Jul 15, 2024	8.08	Oct 21, 2027	350.00	[ICRA]AAA (Stable)
Unutilised	Non-convertible debentures	-	-	-	4,741.60	[ICRA]AAA (Stable)
INE916D08DX4	Subordinated debt programme	Dec 07, 2017	8.25	Dec 07, 2027	100.00	[ICRA]AAA (Stable)
Unutilised	Subordinated debt programme	-	-	-	300.30	[ICRA]AAA (Stable)
Unutilised	Nifty Linked Debentures	-	-	-	41.25	PP-MLD [ICRA]AAA (Stable)
NA	Long Term/Short term – Fund base/Non Fund base – others	-	-	-	6,391.00	[ICRA]AAA (Stable)/[ICRA]A1+
Not yet placed	Commercial paper programme (IPO financing)	NA	NA	7-30 days	6,500.00	[ICRA]A1+

Source: Company; As on August 23, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	KMPL Ownership	Consolidation Approach
Not Applicable	Not Applicable	Not Applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Neha Parikh

+91 22 6114 3426

neha.parikh@icraindia.com

Abhilash Rathi

+91 22 6114 3421

abhilash.rathi@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Harsh Mange

+91 22 6114 3429

harsh.mange@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 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 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.