July 21, 2025

Kaabil Finance Private Limited: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term others – Fund based	150.00	[ICRA]BBB- (Stable); assigned
Total	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating takes into consideration Kaabil Finance Private Limited's (KFPL) adequate capitalisation profile, supported by regular equity infusions. The company raised Rs. 33 crore in FY2025 (~Rs. 26 crore in FY2024), augmenting its net worth to Rs. 78 crore as on March 31, 2025. Consequently, it was able to maintain its managed gearing at 3.4 times as on March 31, 2025 (3.5 times as on March 31, 2024), despite the high pace of growth. Given its modest scale of operations, the company has been scaling up at a rapid rate (~97% growth in FY2025) and it reported assets under management (AUM) of Rs. 265 crore as on March 31, 2025 (Rs. 279 crore as of May 2025). Considering its scale and internal generation as well as its high growth plans, KFPL shall continue requiring equity infusions to maintain a prudent capitalisation profile.

Given the high pace of growth and limited vintage, the seasoning of the loan book is low and the asset quality is yet to be established. ICRA takes note of the secured nature of KFPL's exposure with ~95% of the loans backed by self-occupied residential properties (SORP). The company's operations are geographically concentrated with a presence in only two states as of May 2025. While it remains profitable with a provisional profit after tax of Rs. 2.7 crore in FY2025 (Rs. 2.3 crore in FY2024), elevated operating expenses keep the earnings profile subdued. ICRA expects KFPL's earnings profile to improve gradually as it continues scaling up its operations, provided it contains its credit costs.

The Stable outlook reflects ICRA's expectation that the company will continue to maintain an adequate capital profile and will gradually improve its earnings profile as it scales up its operations.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile, supported by regular equity infusions – Given the current scale of operations, the capitalisation profile is adequate characterised by a net worth of Rs. 78 crore, capital adequacy of 45.0% and a managed gearing of 3.4 times (reported gearing of 2.2 times) as on March 31, 2025. The company has raised ~Rs. 59 crore over the last two years (Rs. 33 crore in FY2025 and Rs. 26 crore in FY2024), which has helped it maintain its capitalisation profile. Given its modest internal generation and high growth plans, KFPL shall continue requiring equity infusions to maintain a prudent capitalisation profile. ICRA takes note of the company's plans to raise sizeable equity capital in the near term, which shall remain monitorable.

Credit challenges

Modest scale and geographically concentrated operations – Since commencing operations in 2017, the company achieved an AUM of Rs. 265 crore as on March 31, 2025 (Rs. 279 crore as of May 2025). Despite this, its operations remain modest. Correspondingly, it is geographically concentrated with operations largely focussed on Rajasthan. KFPL ventured into Uttar

Pradesh in FY2026 and plans to gradually expand its operations in the state. ICRA expects geographical diversity to improve gradually as the company scales up its operations.

Limited track record and relatively vulnerable borrower profile – The company has a limited track with most of its AUM sourced over the last two years. Given the high pace of growth, portfolio seasoning is low and the asset quality is yet to be established. Further, KFPL primarily caters to low- and middle-income individuals and families, many of whom rely on informal or undocumented sources of income. This borrower segment tends to be more vulnerable to economic downturns due to the limited financial buffers to absorb external shocks. The company's 90+ days past due (dpd) was relatively high at 5.3% of AUM as on March 31, 2025 (5.2% as of April 2025), given the target borrower segment and the gradual establishment of systems and processes. ICRA takes note of the steps taken by KFPL to improve its asset quality, including establishing a dedicated collections team and strengthening its processes. Nonetheless, ultimate losses are expected to be under control, given the secured nature of the portfolio (95% backed by SORP).

Modest profitability – KFPL reported a provisional profit after tax of Rs. 2.7 crore in FY2025, translating into a return of 1.0% on average managed assets (AMA; Rs. 2.3 crore and 1.7%, respectively, in FY2024). The subdued earnings profile was on account of higher operational expenses, largely due to branch expansion (25 new branches opened in FY2025) and the strengthening of the employee base. ICRA expects a gradual improvement in the company's earnings profile as it continues to scale up its operations and improve its operating efficiency, provided it is able to keep its credit costs under control.

Liquidity position: Adequate

As on March 31, 2025, the company held a free cash and bank balance of ~Rs. 35 crore. As per the asset-liability management statement as on March 31, 2025, KFPL had scheduled inflows from advances of Rs. 57 crore against scheduled debt repayments of Rs. 80 crore during April 1, 2025 to March 31, 2026. Factoring in the expected collections from advances and the free on-book liquidity, the liquidity profile is projected to remain adequate to meet the debt obligations in a timely manner. The presence of ~Rs. 74 crore of sanctioned unutilised funding lines also supports the liquidity profile.

Rating sensitivities

Positive factors – The sustained improvement in the scale and earnings, while keeping credit costs under control, could positively impact the rating.

Negative factors – The increase in the managed gearing above 5 times on a continued basis or a stretch in the liquidity position could put pressure on the rating. Deterioration in the asset quality indicators, resulting in sustained pressure on profitability, could also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Kaabil Finance Private Limited (KFPL) is a non-banking financial company providing loans to micro, small and medium enterprises (MSMEs) against collateral. The company commenced operations in 2017 and extends secured business loans, particularly loan against property (LAP), to small shopkeepers, vendors, and nano-entrepreneurs in the rural and semi-urban areas of India. The company reported assets under management (AUM) of Rs. 279 crore as of May 2025, with a network of 78 branches spread across Rajasthan and Uttar Pradesh.

Key financial indicators

KFPL	FY2023	FY2024	FY2025*
Total Income	15.7	30.5	58.5
Profit after tax (PAT)	2.1	2.3	2.7
AUM	63	135	265
Return on average managed assets	3.6%	1.7%	1.0%
Gearing (times)	2.2	2.2	2.2
Managed gearing (times)	5.0	3.5	3.4
Capital-to-risk weighted assets ratio	50.0%	31.0%	45.0%
Gross NPA^	4.5%	6.6%	5.0%
Net NPA^	3.7%	5.5%	3.6%

*Source: Company, ICRA Research; Amount in Rs. crore; *Provisional; Managed assets = Total assets + Off-book portfolio; Managed gearing = [(On-book borrowings + Off-book portfolio)/Net worth]; ^Calculated on on-book portfolio; Gross NPAs have been recognised at 120+ dpd as of March 2025, 150+ dpd as of March 2024 and 180+ dpd as of March 2023.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	July 21, 2025	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					-	-	-
1	Long term others – Fund based	Long term	150.00	[ICRA]BBB- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term others – Fund based	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/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term fund-based bank facilities programme**	Feb 11, 2025	15% p.a.	Feb 13, 2028	25.00	[ICRA]BBB- (Stable)
NA	**Long term others – Fund based**	-	-	-	125.00	[ICRA]BBB- (Stable)

Source: Company; NA – Not applicable

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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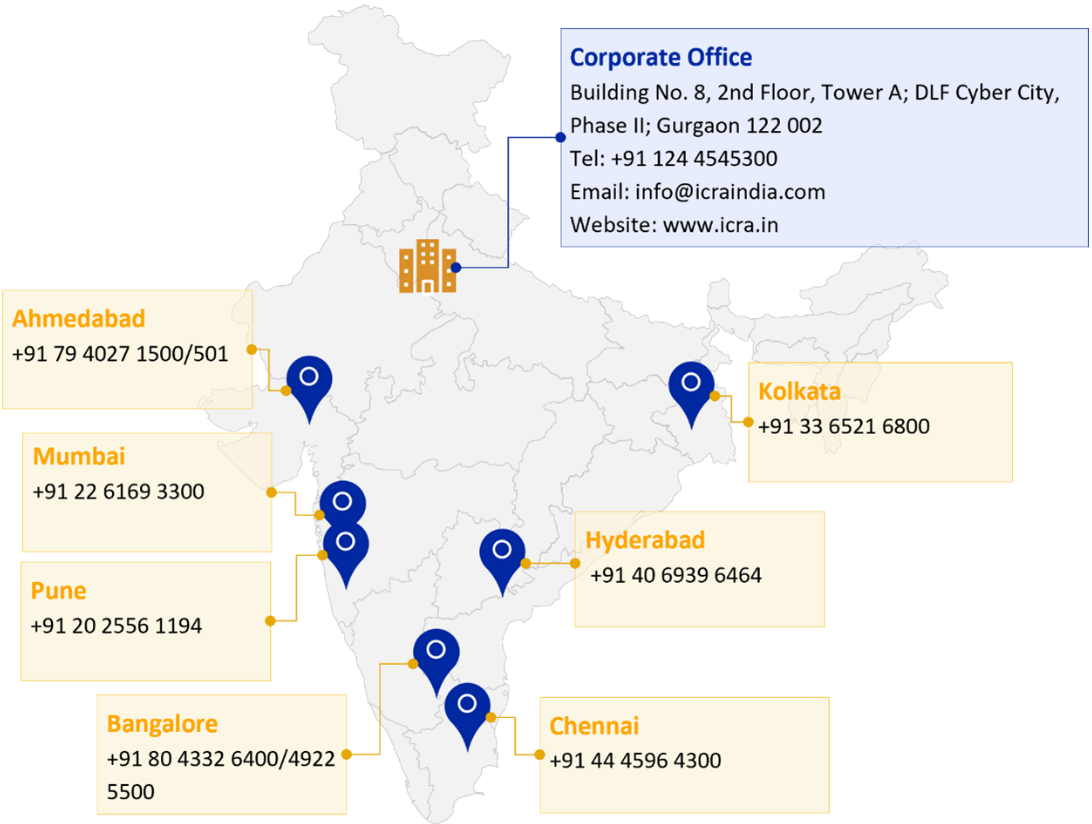

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