

## Credit Update - Kinara Capital Private Limited

The recent weak financial results of Kinara Capital Private Limited (rated 'CareEdge B-/ Stable'), primarily reflect the challenging operating and regulatory environment for unsecured lending in India. The company's capital position and leverage indicators have weakened from the higher-than-expected losses. However, the company's plans to raise equity over the next few months can help partly offset such pressure. Further, the liquidity position remains comfortable. CareEdge Global will continue to closely monitor the asset quality parameters, progress of equity infusion plans, and continued ability to raise resources.

The company reported a loss of Rs.114 crore (~USD 13 mn<sup>1</sup>) for the quarter ended December 31, 2024, compared to a loss of Rs.30 crore in the previous quarter ended September 30, 2024. The increase in losses is primarily driven by accelerated write-offs and higher provisions, which rose from Rs.186 crore in FY24 to Rs.302 crore in 9MFY25.

The higher-than-expected losses are leading to pressure on Kinara Capital's profitability, capitalisation, and asset quality parameters. The company is in an advanced stage of raising equity (\$15 million) to strengthen its capital structure, and timely fund infusion can partly offset any pressure on the credit profile. Of this, a binding term sheet for USD 5 million has been signed, and the funds are expected by March 31, 2025.

Furthermore, the company has breached certain financial covenants due to a higher Gross Non-Performing Asset (GNPA) ratio and losses incurred during the year. However, discussions with the management indicate that Kinara Capital has obtained waivers from lenders for 46% of the debt where covenants were breached and is actively negotiating with other lenders for further waivers. Some lenders have responded by increasing interest rates or imposing penal interest, but no facility has been recalled.

The rating continues to be supported by the company's experienced board and management team, along with its adequate capitalisation and liquidity. As of December 31, 2024, the total capital adequacy ratio (CAR) was 27.0%, compared to 29.2% as of September 30, 2024.

Kinara Capital also maintains adequate liquidity, with cash and bank balances of Rs.640 crore as of December 31, 2024, and expected inflows from advances amounting to Rs.834 crore over the next 12 months, against Rs.838 crore in debt maturing within the same period.

CareEdge Global will continue to monitor the progress of the proposed equity infusion and its impact on the company's business and financial risk profile.

Please refer to the following link for the previous detailed rationale, [Click Here](#)

<sup>1</sup> 1 USD=85.5 Rupees

## **Criteria Applied**

[CareEdge Global's Rating Methodology for Financial Institutions](#)

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