

CareEdge Global downgrades Kinara Capital Private Limited's rating to 'CareEdge C'

USD 12 million External Commercial Borrowing Bonds	CareEdge C (rating downgraded from CareEdge B-/Negative)
USD 18 million External Commercial Borrowing Bonds (Proposed)	CareEdge C (rating downgraded from CareEdge B-/Negative)

Rating Rationale

CareEdge Global has downgraded the rating of Kinara Capital Private Limited's (Kinara) foreign currency loan facility ratings to **'CareEdge C'** from **'CareEdge B-/Negative'**. The rating downgrade reflects CareEdge Global's view that Kinara's credit profile has significantly impaired owing to weak performance resulting in continued losses, asset quality deterioration, exodus of board members/senior management and action taken by certain lenders with respect to their exposure to the company. The servicing of debt facilities rated by CareEdge Global has not seen any delay, so far.

The company informed BSE on July 30, 2025, regarding certain lenders appropriating certain fixed deposit (FD) receipts maintained by Kinara towards their respective facilities. Kinara also announced the resignation of three of their Board of Directors on July 30, 2025 and July 31, 2025. As per discussion with management, one of Kinara's lead banks has set a negative lien on their current account, where all collections are received. Few other lenders have used lien-marked FDs to partly settle their respective outstanding amounts. Many lenders have also issued debt recall notices / accelerated payment demand to Kinara.

Given the weak financial performance in FY25, Kinara breached its debt covenants resulting in an 'Event of Default' (EoD). Kinara has received recall notices from few lenders over the last few days resulting from triggering of EOD. CareEdge Global understands that demand notices may be expected from other lenders as well over next few days. These accelerated payments have created ALM mismatches and liquidity stress. Kinara's liquidity position is stretched with repayments dues way more than the cash in hand and expected collections in August 2025. Furthermore, the entire loan could become due with increasing number of accelerated demand by lenders.

While management is in discussion with a potential investor to acquire its loan book, the transaction would take at least six to eight weeks to fructify. In the interim, Kinara's ability to service the debt obligations is impaired. Further, no equity infusion is expected from existing investors. Our rating downgrade also reflects the very high vulnerability to default regarding the servicing of debt obligations of our rated facilities rated by us as the external commercial borrowings (ECBs) have cross default clause which has triggered EoD on ECBs as well. However, no formal notice recalling the ECB debt has been received as of July 31, 2025.

Earlier, CareEdge Global had revised the outlook from 'Stable' to 'Negative' in June 2025 while reaffirming the rating at 'CareEdge B-'. The revision in outlook was based on the assessment of Kinara's weakening credit profile and asset quality. The company had also posted losses of Rs 351 crore in FY25 owing to accelerated write-offs and sale of non-performing assets to asset reconstruction company. Additionally, they also had breached covenants on 87.5% of the total debt to which only waivers for 4% had been secured.

Analytical Approach

CareEdge Global has analysed the credit profile of the company on a standalone basis.

Rating Sensitivities

Downward Factors

- Delays in servicing of debt obligations rated by CareEdge Global

Upward Factors

- Timely servicing of debt obligations (i.e., principal and interest) for minimum three continuous months and no default on any facilities
- Improvement in liquidity position

Liquidity

Kinara's liquidity position is significantly stretched with deterioration in unencumbered cash balances of ~Rs 70 crore as of July 29, 2025 and sizeable repayment obligations in the near term. The company anticipates collections of ~Rs 140 crore in August 2025, against scheduled repayment obligations of Rs 131 crore. The actual obligations may further increase owing to accelerated debt repayment demands thereby resulting cashflow mismatches.

About the Company

Kinara Capital Private Limited (erstwhile Visage Holdings and Finance Private Limited) was incorporated in New Delhi in 1996 and registered as an NBFC. It obtained the registration certificate from the Reserve Bank of India (RBI) on March 23, 2000. Kinara was taken over by the current promoter, Ms Hardika Shah, in 2011, and subsequently, the registered office moved to Bengaluru in 2013. It obtained a fresh registration certificate from the RBI on August 27, 2013. The company provides collateral-free loans to micro-small-medium enterprises (MSMEs) with an average ticket size of Rs 7.5 lakhs in manufacturing, trading and services sectors for asset purchase, business development or working capital needs, at an average lending rate of 28% for a tenure of 12-60 months. Kinara had a total branch base of 80 across 6 states namely Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and Telangana. Kinara Capital's AUM stood at Rs 2840 crore as of March 31, 2025, out of which around 30% is concentrated in Tamil Nadu.

As on March 31, 2025, on a fully dilutive basis, the promoter, Ms. Hardika Shah, holds 8.51% stake, including compulsory convertible debentures (CCDs). Other major shareholders are Nuveen, Michael and Susan Dell Foundation, Patamar Capital, Gaja Capital and Gawa Capital.

Rating History

Instrument	Type		Rating	Date
External Commercial Borrowing Bonds	Long-Term	Foreign Currency (Solicited)	CareEdge C (Revision from CareEdge B-/Negative)	August 01, 2025
External Commercial Borrowing Bonds	Long-Term	Foreign Currency (Solicited)	CareEdge B-/Negative (Revision in Outlook)	June 18, 2025
External Commercial Borrowing Bonds	Long-Term	Foreign Currency (Solicited)	CareEdge B-/Stable (Assigned)	December 27, 2024

Criteria Applied

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

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About Us

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