Press Release

LendingKart Finance Limited (LFL)

Revised Press release

August 06, 2025

This is with reference to the press release dated 5 May 2025. The revised press release stands as below: The revised press release contains correction of previous ratings in the rating table. Previous rating was mentioned incorrectly as IVR BBB+/RWDI instead of IVR BBB+/RWPI and the same stands corrected.

Link to the press release dated 5 May 2025 published on Infomerics website is provided below: [pr-lendingKart-finance-05may25.pdf]

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities	30.87 (Reduced from 31.75)	IVR A+/Stable (IVR Single A Plus with Stable outlook)	IVR BBB+/ RWPI (IVR Triple B Plus; Rating watch with Positive implications)	Rating removed from watch and upgraded	Simple
Proposed Long Term Fund Based Bank Facilities	317.25	IVR A+/Stable (IVR Single A Plus with Stable outlook)	IVR BBB+/ RWPI (IVR Triple B Plus; Rating watch with Positive implications)	Rating removed from watch and upgraded	Simple
Non-Convertible debentures (NCDs)	50.00	IVR A+/Stable (IVR Single A Plus with Stable outlook)	IVR BBB+/ RWPI (IVR Triple B Plus; Rating watch with Positive implications)	Rating removed from watch and upgraded	Simple
Proposed Non-Convertible Debentures (NCDs)	60.00	IVR A+/Stable (IVR Single A Plus with Stable outlook)	IVR BBB+/ RWPI (IVR Triple B Plus; Rating watch with Positive implications)	Rating removed from watch and upgraded	Simple
Total	**458.13 (Rupees Four Hundred Fifty-Eight Crore and Thirteen lakhs Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Valuations and Rating (Infomerics / IVR) has resolved the Rating Watch With Positive Implications and has upgraded the ratings assigned to various debt instruments and bank facilities, reflecting RBI's approval to Fullerton Financial Holdings Pte Limited (FFH) for acquiring controlling stake in LFL's holding company Lendingkart Technologies Private Limited (LTPL) Simultaneously the outlook has been assigned as 'Stable' on account of expected improvement in the overall financial profile of the company on the back of capital infusion post the regulator's approval in March 2025, FFH has infused ~ Rs 175.00 crore in LTPL thereby increasing its stake to 55.57% in LTPL. The upgrade reflects Infomerics expectations that, following the acquisition, FFH shall actively participate in key strategic planning, decision making processes, and play a more involved role in board deliberations and decision making.

As its sole strategic investment in financial services in India, FFH is committed to support LFL as and when needed. Infomerics takes comfort that FFH being a global financial conglomerate, shall bring expertise and global experience to the company.

The rating strengths are partially constrained by pressure on profitability on the back of increased credit costs owing to deterioration in the asset quality and degrowth in AUM on the back of subdued disbursements during 9MFY25.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in scale of operations while maintaining comfortable capitalisation, healthy asset quality, liquidity and profitability.

Downward Factors

- Lower than expected growth in scale of operations.
- Any decline in capitalisation levels from the current levels
- Adverse movements in collections efficiency impacting profitability and deterioration in the asset quality from the current levels.
- Weakening linkages with FFH.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong support from FFH

Infomerics expects strong and active management support from FFH post-acquisition. FFH is expected to actively participate in key decisions and strategic direction. FFH has already committed unwavering support to the company which is reflected by sustained equity infusion to the tune of Rs. 972 crores since 2019 and also through the SBLC backed credit line (which was available with the company) in lieu of equity. Being a global conglomerate, FFH is expected to bring global expertise and management support to the company.

Comfortable capitalisation

With consistent capital infusions from FFH, LFL has maintained a comfortable capitalization despite substantial growth in its AUM. As of December 31, 2024, LFL's total Capital to Risk-Weighted Assets Ratio (CRAR) stood healthy at 27.74%, up from 21.50% in FY24 (refers for the period 1st April 2023 to 31st March 2024). The company's Tangible Net Worth was recorded at Rs. 707.65 crore, with a moderate gearing ratio of 2.63x as of December 31, 2024.

Experienced management and strategic investors

Lendingkart group was established by Mr. Harshvardhan Lunia, who has over two decades' experience in corporate banking and financial services. The second line of management comprises professionals with an average experience of over two decades in the fields of commercial lending, audit, operations and information technology. The board has adequate representation from investors and extends strategic support to the company. LFL is a part of the Lendingkart Group and as on December 31, 2024, it is a wholly owned subsidiary of Lendingkart Technologies Private Limited (LTPL), together referred as LendingKart Group.

The Group's investors include Fullerton Financial Holdings Private Limited (FFH), Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Darrin Capital Management and Sistema Asia Fund, with FFH being the largest shareholder with a controlling stake of 55.57% (as on March 31, 2025) in LTPL. FFH has immense experience in the financial services sector in various emerging markets. FFH has provided continuous strategic guidance towards the improvement of LFL's risk management framework, systems and processes.

Technology-based business model

LFL has adopted a branchless business model with most of the operations from sourcing to underwriting being processed digitally. LFL uses a proprietary algorithm which provides score for each application filed for its credit decisioning. This supports the entity's ability to scale up its portfolio geographically with limited incremental investment, as well as be present across locations in the country. Given the branchless mode of operations, LFL has achieved presence in over 4100+ cities and around 28 states & 6 Union Territories. LFL's business model now entails a high proportion of off-balance sheet lending (co-lending formed ~68% of the AUM as of December 31, 2024) as it has been able to establish relationships with various banks and non-banking financial companies (NBFCs) under its co-lending arrangements.

Key Rating Weaknesses

Subdued Performance during FY25, likely to improve from H2FY26 onwards

LFL's Assets Under Management (AUM) declined during 9MFY25, falling to Rs. 5,842 crore from Rs 7,254.00 crore in FY24. This decline in AUM is primarily due to LFL's cautious approach on disbursements during 9MFY25, primarily in response to higher delinquencies within its portfolio and the impact of RBIs April 2024 FAQs on digital lending guidelines impacting company's capitalisation with total CRAR declining to 21.50% as on 31 March 2024. The overall disbursements during FY25 remained lower as compared to levels seen in FY24. Going forward, the ability of the company to improve its disbursements while improving its asset quality would be key rating monitorable.

Average asset quality

LFL's asset quality has deteriorated over time, with both Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) rising to 3.58% and 2.11%, respectively, as on 31 December 2024 (compared to 2.18% and 1.95% during FY24). The decline in asset quality is largely attributed to higher delinquencies, resulting from unsecured nature of LFL's lending, coupled with lower collection efficiency due to factors such as the general elections and heat waves that affected the country. Additionally, the degrowth in loan book owing to slow disbursements also contributed to deterioration of asset quality ratios. According to the management, asset quality is expected to improve H2FY26 onwards. Going forward, LFL's ability to improve its asset quality through enhancing its collections will be a critical factor that will be closely monitored

Declining profitability

Due to higher provisions and an elevated cost-to-income ratio driven largely by lower disbursements, LFL reported a net loss of Rs. 167.82 crore during 9MFY25, compared to PAT of Rs 60.08 crore during FY24. During 9MFY25, the asset quality challenges forced LFL to allocate higher provisions which stood at Rs 337.84 crore, which significantly impacted profitability. Over the last three years, the company has provided approximately Rs. 783.12 crore in credit costs. Return on Assets (ROTA) also saw a significant decline, falling to 1.68% in FY24 from 4.11% in FY23 due to lower profits.

The management anticipates a turnaround in operations in H2FY26, driven by a gradual increase in disbursements, which is expected to positively impact the company's financial performance going forward. However, the ability to improve asset quality and enhance profitability through increased disbursements will be key factors to monitor.

Inherent risks associated with unsecured lending coupled with intense competition

LFL caters to the MSME segment, which is highly vulnerable to downward economic cycles given the low cash flow buffers. Further, the entire AUM represents unsecured lending, which impedes recoveries from the harder delinquency buckets. The MSME industry is prone to socio-political and operational risks, which could negatively impact the company’s operations and thus its financial position as seen during the pandemic coupled with severe competition by other NBFCs and Banks.

However, the inherent risk associated with the unsecured MSME segment is partly mitigated by the portfolio’s coverage under the sovereign schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and Credit Guarantee Fund for Micro Units which could help curtail the net credit losses. Around 64% of total AUM and 71% of on-book AUM as of 31 December 2024 was covered under these schemes.

Analytical Approach: Standalone.

For arriving of its ratings assigned to LFL, Infomerics has analysed the standalone financial profile of LFL and has adopted the parent/group support criteria post FFH acquiring 55.57% stake and becoming the majority stake owner.

Applicable Criteria:

Rating Methodology for Financial Institutions/Non-Banking Finance companies

Policy on Default Recognition and Post – Default Curing Period

Criteria of assigning Rating Outlook

Complexity level of rated instruments/Facilities

Financial Ratios & Interpretation (Financial Sector)

Parent & Group Criteria

Liquidity – Strong

The liquidity profile of the company remains strong with no negative cumulative mismatches in its asset-liability management profile as on 31 December 2024. Further, LFL has a liquidity cushion of ~Rs. 296.00 crore in the form of unencumbered cash and Bank balance (Rs. 10.51 crore), unencumbered liquid investments (Rs 9.89 crore) and unmarked FDs (Rs. 175.28 crore) as on 28 Feb 2025. LFL also had additional liquidity cushion in the form of SBLC line provided by FFH of Rs 100.00 crore as on 28 Feb 2025. Also, the company maintains surplus liquidity to cover 10-12 weeks to its debt obligations and operating expenses. IVR does not foresee any liquidity risk in the near term, given LFL's adequate liquidity position and FFHs ability to infuse funds.

About the Company

Lendingkart Finance Limited (LFL) is a Lendingkart Group company, which is registered as an NBFC and provides unsecured loans to small and Micro sized enterprises (SME). Lendingkart Technologies Private Limited (LTPL), the technology arm of the Ahmedabad-based Lendingkart Group, holds a 100% stake in LFL. Fullerton Financial Holdings Pte Limited (FFH) is the majority stakeholder in LTPL with a holding of 55.57% as on 31 March 2025. The Group was started in 2014 by one of the co-founders, Mr. Harshvardhan Lunia, and raised funds from FFH, Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darrin Capital Management.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Income	824.06	1146.45
PAT	115.66	60.08
Tangible Net worth	726.20	800.58
Total Loan assets	1769.41	2190.00
AUM	4,978.22	7,253.51
Ratios		
Overall Gearing (Times)	2.31	3.38
ROTA (%)	4.25	1.88
Total CRAR (%)	35.99	21.50
Gross NPA [Stage III] (%)	2.60	2.90
Net NPA [Stage III] (%)	1.40	1.95
Interest Coverage (Times)	0.73	0.30

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Type of Facilities/ Instrument	Current Ratings (Year 2025-26)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (08 August 2022)	Date(s) & Rating(s) assigned in 2021-22 (10 August 2021)
1.	Fund Based-Bank Facilities	Long Term	30.87	IVR A+/Stable	IVR BBB+/RWPI (10 Mar 2025) IVR BBB+/ RWDI (29 Oct 2024)	IVR BBB+/ Negative (12 Mar 2024) IVR BBB+/ RWDI (16 Feb 2024) IVR BBB+/ Positive (7 Aug 2023)	IVR BBB+/ Stable	IVR A-/Stable
2.	NCD	Long Term	50.00	IVR A+/Stable	IVR BBB+/RWPI (10 Mar 2025) IVR BBB+/ RWDI (29 Oct 2024)	IVR BBB+/ Negative (12 Mar 2024) IVR BBB+/ RWDI (16 Feb 2024) IVR BBB+/ Positive (7 Aug 2023)	IVR BBB+/ Stable	IVR A-/Stable
3.	NCD	Long Term	0.00	-	Withdrawn (10 Mar 2025) IVR BBB+/ RWDI (29 Oct 2024)	IVR BBB+/ Negative (12 Mar 2024) IVR BBB+/ RWDI (16 Feb 2024) IVR BBB+/ Positive (7 Aug 2023)		
4.	Proposed bank loans	Long Term	315.90	IVR A+/Stable	IVR BBB+/RWPI (10 Mar 2025)	IVR BBB+/ Negative (12 Mar 2024)	IVR BBB+/ Stable	IVR A-/Stable/A2+

Sr. No.	Type of Facilities/ Instrument	Current Ratings (Year 2025-26)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (08 August 2022)	Date(s) & Rating(s) assigned in 2021-22 (10 August 2021)
					IVR BBB+/ RWDI (29 Oct 2024)	IVR BBB+/ RWDI (16 Feb 2024) IVR BBB+/ Positive (7 Aug 2023)		
5.	Proposed NCDs	Long Term	60.00	IVR A+/Stable	IVR BBB+/RWPI (10 Mar 2025) IVR BBB+/ RWDI (29 Oct 2024)	IVR BBB+/ Negative (12 Mar 2024) IVR BBB+/ RWDI (16 Feb 2024) IVR BBB+/ Positive (7 Aug 2023)	IVR BBB+/ Stable	IVR A- /Stable/A2+

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details:

Name of Facility/ Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR (%)	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
Cash Credit/WCDL	-	-	-	Revolving	27.00	-	IVR A+/Stable
Term Loans	-	-	-	Upto Aug 2025	3.87	-	IVR A+/Stable
Proposed loans	-	-	-	-	317.25	-	IVR A+/Stable
NCDs	INE090W07469	June 29, 2022	12.38	June 29, 2028	50.00	Unlisted	IVR A+/Stable
Proposed NCDs	-	-	-	-	60.00	Proposed to be listed	IVR A+/Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-LFL-may25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Key terms for the NCD issue of Rs 50.00 crore:

Name of the Instrument	Unlisted and privately placed NCDs
ISIN	INE090W07469
Issue size	Rs 50.00 crore
Issue date	29 June 2022
Maturity date	29 June 2028
Coupon (%)	12.38
Financial Covenant	Nil
Non-Financial Covenant	Nil

Draft Term Sheet for proposed NCDs of Rs 60.00 crore: The company has Unutilized NCDs line of Rs 60.00 crore and the company has informed that the terms of the transaction shall be shared as and when the company proposed to utilize the same.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.