Growfix Wheels CB-02
Originator Kogta Financial (India) Limited

March 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Bonds	20.00	CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable]	Reaffirmed
Total Long-term Instruments	**20.00 (Rs. Twenty crore only)**		

Details of instruments/facilities in Annexure-1

Un Supported Rating [2]	CARE A- (Single A Minus)

Note: Unsupported Rating does not factor-in the explicit credit enhancement

Rating in the absence of the pending steps/ documents	**Same as Unsupported Rating**

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

CARE Ratings Limited ("CARE Ratings") has reaffirmed a rating of 'CARE AA (CE); Stable' [Double A (Credit Enhancement); Outlook: 'Stable'] to the Non-Convertible Debentures (NCDs) issued by Kogta Financial (India) Limited (KFL), covered by the Pool of vehicle loan receivables ("Covered Pool" or "the Pool") assigned to Growfix Wheels CB-02 ("SPV").

The NCDs are structured as a covered bond that are on balance sheet liabilities of the Issuer like a normal bond. In addition, the SPV which holds the bankruptcy remote Pool has extended guarantee for the NCD. This Covered Pool is evaluated based on the transaction structure to evaluate the rating of the Covered Pool. The transaction structure has 'credit events', which provide for early repayment of the NCDs out of collections from the Covered Pool.

The Reserve Bank of India (RBI), on September 24, 2021, has placed restriction on the transfer of loans by specifying who can be the transferee of a loan. While the SPV is not an eligible transferee, CARE Ratings believes that since this transaction was concluded before September 24, 2021 and the RBI directions are not specifically retrospective, the transfer of loan as contemplated in this transaction will be feasible. The investors may seek necessary legal advice.

Rating Sensitivities

Positive Factors – Factors that could lead to positive rating action/upgrade:

- Upward revision of KFL's standalone rating.

Negative Factors – Factors that could lead to negative rating action/downgrade:

- Downward revision in the standalone rating of the Issuer.
- Non-adherence to the key transaction terms envisaged at the time of the rating.

Detailed description of the key rating drivers

Transaction structure

Kogta Financial (India) Limited (KFL; Issuer and Servicer in this transaction) has issued NCDs. The debentures have been issued as secured debentures by way of hypothecation of the current and future receivables arising out of a cover Pool comprising of vehicle loans originated by KFL, on a first and exclusive charge basis, in favour of the Debenture Trustee for the benefit of the debenture holders. The debenture holders are eligible to receive monthly interest payment and bullet repayment of principal post 23 months of the proposed issuance or on the occurrence of a credit event (detailed in Annexure 3), whichever is earlier.

The principal and interest amount of the NCDs are promised to be paid only by the final maturity date (i.e., 48 months from the issue date). As per the transaction structure, only expected interest will be transferred to the debenture holders every month and the principal pre-repayment will be bullet at the end of the 24th month. If the Issuer fails to make any of the monthly expected

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

[2] As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

interest payments or the bullet pre-payment of principal on the 24th month, it will be considered as a credit event, whereupon the cashflows arising from the Covered Pool will be utilised to make accelerated payment to the debenture-holders.

The priority of payment from the Covered Pool would be the repayment of expected interest and expected principal with turbo par amortisation, which indicates that the residual beneficiaries would not receive any collections from the Pool until the entire obligation to debenture holders is fully repaid. If the cash flows from the underlying receivables are not sufficient to pay the principal/interest by the final maturity date, the available cash collateral would be utilised to ensure that the debenture holders are repaid in full.

Until the occurrence of a credit event, cash flows realised from the cover Pool will be utilised to acquire additional vehicle loan assets from KFL, so as to comply with the security cover requirements as per the transaction documents.
The debenture holders are supported by the following:

- KFL's internal accruals (Rated 'CARE A-; Stable' for its long-term debt obligation), which is the primary obligor.
- SPV guarantee – provided by Growfix Wheels CB-02, a SPV to which KFL has assigned vehicle loan receivables with principal cover of 1.20x of the outstanding amount; the SPV guarantee will be invoked on occurrence of any of the pre-defined credit events. The cash flows from the assigned receivables will be utilised exclusively for making payouts to the debenture-holders on invocation of SPV guarantee.
- Cash collateral in the form of FD that is maintained at 3.00% of the issuance amount.

Key Rating Strengths
Rating Strengths:

1. Three levels of protection to the debentures holders:
   a. KFL's internal accrual (Rated CARE A-; Stable, for its long-term debt obligation), which is the primary obligor.
   b. SPV guarantee – provided by Growfix Wheels CB-02, a SPV to which KFL has assigned vehicle loan receivables with principal cover of 1.2x the outstanding amount.
   c. Further cash collateral in the form of FD that is maintained at 3.0% of the issuance amount.
2. Sound legal structure of the transaction and well-defined payment mechanism.
3. Underwriting and collection strategies of KF.

Key Rating Weaknesses
Rating weakness:

1. The collection performance of the portfolio of KFL may be impacted due to the prolonged after-effects of the COVID-19 pandemic, which may affect the liquidity position of the Issuer or performance of the security cover Pool.

Liquidity: Strong
The inherent liquidity in the structure is strong, given the total support available to debenture holders. The support available to debenture holders are: i) KFL's internal accrual, ii) SPV guarantee provided by Growfix Wheels CB-02, with a principal cover of 1.2x the outstanding amount (including any accrued but unpaid interest prior to the final fixing date) and, iii) Cash collateral in the form of FD that is maintained at 3.0% of the issuance amount. The entire principal and interest are promised to the debenture holders only by the final maturity date (48 months from issue date). The priority of the payment from the cover Pool will be the repayment of expected interest and expected principal with turbo par amortisation, which indicates that the residual beneficiaries will not receive any collections from the Pool until the entire obligation to the debenture holders is fully repaid.

KFL has a comfortable ALM, as on September 30, 2021, with no negative cumulative mismatch in any time bucket. As on September 30, 2021, KFL had free cash and bank balance including free FDRs of Rs.341 crore and free current investments (mutual fund/equity market, etc) of Rs.172 crore, combined with inflows from advances (excluding interest income) of Rs.473 crore, against its debt repayment obligation (excluding interest expense) of Rs.661 crore for the next 12 months. Furthermore, as stated by the management, the company will maintain liquidity for the next three months of disbursements, which is to the tune of around Rs.450 crore. Moreover, as on December 31, 2021, the liquidity stood at around Rs.600 crore.

Analytical approach:
The analysis for the purpose of the rating is based on a scenario that the company may not exercise the call option and the credit event will happen and the cashflows generated from Security Pool would be utilised to repay the debenture holders.
CARE Ratings has applied the methodology for rating asset/mortgage-backed transactions to analyse the Security Pool to assess whether the cash collateral is sufficient to cover shortfalls. Since the transaction is sensitive to credit quality of the underlying Pool, CARE Ratings has analysed the performance of static Pools provided by the Originator and the overall portfolio performance of the Originator. Considering the borrower profile and nature of the loan, Pool characteristics and portfolio performance, CARE Ratings has taken the average peak shortfall at 8-10% of principal outstanding. The base case shortfalls were stressed along with other key factors such as the timing of shortfalls, the recovery assumptions and the time to recovery.

Applicable Criteria
Rating Outlook and Credit Watch
CARE's Policy on Default Recognition
Criteria for Non-Banking Financial Companies
Financial ratios – Financial Sector
Securitisation ABS and MBS
Rating Credit Enhanced Debt

About the Company
Incorporated in 1996, Kogta Financial (India) Limited (KFL) is a non-deposit-taking non-banking finance company (NBFC-ND), mainly operating in the states of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, Delhi and Haryana. It is primarily engaged in the financing of used and new vehicles, including commercial vehicles, multi-utility vehicles, cars, agriculture-based vehicles, LAP financing and personal loans. The promoters of KFL held 36.66% of KFL's equity, as on March 31, 2021, and the residual was held by several investors like NHPEA Rimo Holding B.V. (24.93%), IIFL Seed Ventures Fund 1 (20.94%), Aditya (Mauritius) Limited (18.09%). KFL has AUM of Rs.1,634 crore, as on September 30, 2021, with a large part of the portfolio being secured loans.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (P)
Total income	169	245	144
PAT	25	45	17
Interest coverage (times)	1.47	1.76	1.36
Total Assets	1,244	1,850	2,119
Net NPA (%)	2.59	2.39	2.82
ROTA (%)	2.32	2.70	1.57

A: Audited P: Provisional
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Non-Convertible Bonds	INE192U07178	03-Mar-21	-	-	20.00	CARE AA (CE); Stable

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	100.00	CARE A-; Stable	1)CARE A-; Stable (06-Jan-22) 2)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21) 2)CARE A-; Stable (04-Feb-21) 3)CARE A-; Stable (14-Jul-20) 4)CARE A-; Stable	1)CARE A-; Stable (04-Dec-19) 2)CARE A-; Stable (14-Nov-19)	1)CARE BBB+; Stable (02-Jan-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
						(01-Jun-20)		
2	Fund-based - LT-Term Loan	LT	900.00	CARE A-; Stable	1)CARE A-; Stable (06-Jan-22) 2)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21) 2)CARE A-; Stable (04-Feb-21) 3)CARE A-; Stable (14-Jul-20) 4)CARE A-; Stable (01-Jun-20)	1)CARE A-; Stable (04-Dec-19) 2)CARE A-; Stable (14-Nov-19)	1)CARE BBB+; Stable (02-Jan-19)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (14-Nov-19)	1)CARE BBB+; Stable (02-Jan-19)
4	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)	-
5	Debentures-Non Convertible Debentures	LT	20.25	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (07-Jan-20)	-
6	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (03-Jul-20) 3)CARE A-; Stable (01-Jun-20)	-	-
7	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (03-Jul-20)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
8	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	-	-
9	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	-	-
10	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (19-Aug-20)	-	-
11	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (31-Aug-20)	-	-
12	Debentures-Non Convertible Debentures	LT	23.96	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (29-Sep-20)	-	-
13	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21) 2)CARE A-; Stable (22-Feb-21) 3)CARE A-; Stable (04-Feb-21) 4)CARE A-; Stable (23-Dec-20) 5)CARE A-; Stable (12-Nov-20)	-	-
14	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
						2)CARE A-; Stable (22-Feb-21) 3)CARE A-; Stable (04-Feb-21) 4)CARE A-; Stable (23-Dec-20) 5)CARE A-; Stable (12-Nov-20)		
15	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (24-Sep-21)	1)CARE PP MLD A-; Stable (04-Feb-21) 2)CARE PP MLD A-; Stable (23-Dec-20)	-	-
16	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21) 2)CARE A-; Stable (22-Feb-21) 3)CARE A-; Stable (04-Feb-21) 4)CARE A-; Stable (23-Dec-20)	-	-
17	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (24-Sep-21)	1)CARE PP MLD A-; Stable (04-Feb-21)	-	-
18	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (24-Sep-21)	1)CARE PP MLD A-; Stable (04-Feb-21)	-	-
19	Bonds-Non Convertible Bonds	LT	20.00	CARE AA (CE); Stable	-	1)CARE AA (CE); Stable (09-Mar-21) 2)Provisional CARE AA (CE); Stable (08-Feb-21)	-	-
20	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Feb-21)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
21	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Mar-21) 2)CARE A-; Stable (22-Feb-21)	-	-
22	Debentures-Non Convertible Debentures	LT	20.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (08-Mar-21)	-	-
23	Debentures-Non Convertible Debentures	LT	35.00	CARE A-; Stable	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (08-Mar-21)	-	-
24	Debentures-NonConvertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (29-Sep-21) 2)Provisional CARE A-; Stable (05-Jul-21)	-	-	-
25	Debentures-Market Linked Debentures	LT	75.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (24-Sep-21)	-	-	-
26	Un Supported Rating	LT	0.00	CARE A-				

* Long-term/Short-term

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities

Credit Events

- A credit event will occur if:
- Any failure on the part of the company to make payment as per the original repayment schedule.
- Any default on the part of the company to make payment of any amount that has become due and payable under the transaction documents.
- PAR >90 in the loans constituting the asset is greater than 6% of the aggregate outstanding principal amounts of the loans constituting the asset.
- Failure to comply with the 'Maintenance of Security Cover' requirement as defined in the transaction structure.
- Rating of the company is downgraded below BBB+ by the rating agency.
- Rating of the instrument is downgraded below AA- by the rating agency.
- Any delay on the part of the company in crediting the amounts received/collected/recovered in relation to the loans constituting the assets to the bank account of the Assignee within the stipulated timelines.
- Breach of any other covenants.
- Cross default of the Issuer, inability to pay debts/distress.
- Failure to perform any obligations in relation to this transaction, including compliance with reporting obligations (as per the reporting covenant timeline).
- Material adverse effect on the Issuer.
- Any change in regulations/guidelines that, in the opinion of the majority debenture holders, invalidates the subsequent assignment of security Pool assets to the trust; however, for triggering such an event, a legal opinion from a legal counsel will be obtained (and shared with the Trustee) confirming the invalidation of assignment of the receivables.

Pool Selection Criteria:

Each loan constituting the assets will meet each of the eligibility criteria listed below:

- Each loan must be originated by the company and must be a commercial vehicle (LCV or MUV) or car loan.
- Loans must be unencumbered (other than under the transaction documents) and not sold or assigned by the company.
- Loans must have been originated while complying with all the extant 'know your customer' norms specified by the RBI.
- Loans are current and not in overdue at the time of assignment and have not been terminated or prepaid.
- The loan must have a maturity date at least one month before the final redemption date of the instrument.

- Maximum ticket size of Rs.10 lakh per borrower.
- Minimum IRR of the loans must be 12%.
- Weighted average IRR of the loans should be more than 17%.
- Loan-to-value of the contracts should be less than or equal to 90%.
- Loan should be seasoned for at least one month.

Consequences of Credit Event:

- The coupon rate on the debentures will stand increased by 2%.
- The debenture trustee will require the Assignee to stop making any beneficiary pay-outs to the company and to use such amounts to make accelerated redemption of the debentures without the requirement of issuing a written notice.
- The debenture trustee's approval will be required for the company to declare any dividends, or make any other distributions to the holders of common equity or other shares compulsorily convertible into equity shares.
- The debenture trustee will be entitled to appoint a nominee director on the board of the company.
- Any receivables under the loans constituting assets collected by the company will be held by it in trust and the collections from the Pool will hall be transferred to the Assignee on a fortnightly basis, i.e., collections from the 1st to the 15th of a calendar month will be deposited by the 20th of the same calendar month and collections from 16th to the last day of that month will be deposited on the 5th day of the subsequent calendar month.
- The debenture trustee, acting under the instructions of the debenture holders, will be entitled to require the Assignee to sell the assets (and liquidated the fixed deposits) on terms acceptable to the debenture trustee and use the proceeds of such sale towards accelerated redemption of the NCDs. In such an event, the Assignee will accordingly sell the assets and use the proceeds towards accelerated redemption of the NCDs.
- Invoking the guarantee provided by the trust and requiring the trustee to utilise the amounts collected in the collection and pay-out account for payment of its guarantee obligations in accordance with the Waterfall mechanism.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Bonds-Non Convertible Bonds	Highly Complex

Annexure-5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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