

Kogta Financial (India) Limited

March 09, 2021

Ratings

Instrument Details	Amount (Rs. Crore)	Rating ¹	Rating Action
Non-Convertible Debentures (NCD)	20.00	CARE AA (CE); Stable [CARE Double A (Credit Enhancement); Outlook: Stable]	Final Rating Assigned
Total Long-Term Instruments	20.00 (Rs. Twenty Crore Only)		

Details of instruments/facilities in Annexure-1.

Unsupported Rating ²	CARE A-
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Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale and Key Rating Drivers

CARE had assigned a rating of 'Provisional CARE AA (CE); Stable' [Provisional CARE Double A (Credit Enhancement); Outlook: 'Stable'] to the proposed Non-Convertible Debentures (NCD) issue of Kogta Financial (India) Limited (KFL), covered by a security pool of vehicle loan receivables assigned to Growfix Wheels CB-02.

The rating is now confirmed and rating of 'CARE AA (CE); Stable' [CARE Double A (Credit Enhancement); Outlook: 'Stable'] to the Principal Protected Market Linked Debentures of KFL has been assigned. The rating assigned is finalized based on the structure provided to CARE by KFL, the issuer. The rating has been confirmed after the copies of legal documents executed in accordance with the structure, a due diligence audit report by an external auditor and an independent legal opinion was furnished by the Issuer (KFL), to the satisfaction of CARE.

The initial underlying covered pool for the NCD structure consists of following features;

All contracts in the pool were current in payment and there were no over-dues as on the pool cut-off date (December 31, 2020). The weighted average IRR of the pool was 20.07%. The pool was moderately concentrated in terms of geography, with the top 3 states accounting for 78.33% of total pool POS; the top 5 districts comprise 14.28% of the pool principal. The weighted average LTV for the pool was 73.13% with maximum LTV being 90%.

Rating Sensitivities

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

1. Upward revision of KFL's standalone rating.

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

1. Downward revision in rating of issuer/originator, creating the prospect of Commingling / Servicer Risk
2. Significant rise in delinquencies in the cover pool
3. Non-adherence to the key transaction terms envisaged at the time of the rating.

Detailed description of the key rating drivers

NA

Key Rating Strengths:

NA

Key Rating Weaknesses:

NA

Analytical approach & Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Non-Banking Financial Companies](#)
[Financial ratios – Financial Sector](#)

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE 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).

CARE's methodology for Asset / Mortgage Backed Securitization

Rating Credit Enhanced Debt

Liquidity Position

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. Entire principal and interest are promised to the debenture-holders only by the final maturity date (48 months from issue date). The priority of payment from cover pool would be the repayment of expected interest and expected principal with turbo par amortization, which indicates that the residual beneficiaries would not receive any collections from the pool until the entire obligation to debenture holders is fully repaid.

As on March 31, 2020, the average working capital limit utilization stood at 27.74% for 12 months ending November 30, 2020 and further KFL had comfortable ALM with no cumulative mismatch in any of the time buckets up-to 3 years as on September 30, 2020. Its liquidity has been aided by fund infusion in the form of CCPS of Rs.301.00 crore in October 2019. KFL has also raised funds through NCD issues, covered bonds, securitization and direct assignment during FY20. As per KFL's management, it had free cash and bank balance (including free Fixed deposits) and liquid investments of Rs.81.09 crore and unutilized working capital limits of Rs.39.82 crore (including Overdraft against Fixed deposits) as on November 30, 2020 against its debt repayment obligation of Rs.78.75 crore in next 3 months (December 01, 2020 to February 28, 2021) and Rs.265.31 crore in next one year (December 01, 2020 to November 30, 2021). KFL has raised funds of around Rs.305.50 crore in 7MFY21 (Upto October 31, 2020) under the normal sanctions, TLTRO, PCG scheme and securitization.

About the Company

Incorporated in 1996 by members of the Kogta Family, Kogta Financial India Limited (KFL) is a Deposit Accepting asset financing company with a focus on vehicles financing. In 1998, the company got registered with RBI under the category NBFC-AFC. Initially, KFL was operating its business on a very small scale. Gradually, it expanded its business and opened its corporate office at Jaipur in 2008 to coordinate its expanding operations. It set up lending activities in other regions including Gujarat (in 2012), Maharashtra (in 2015), Madhya Pradesh (in 2017) and Delhi-NCR (in 2018). Currently, its network is spread across 8 states, including Uttar Pradesh and Haryana.

KFL is currently rated "CARE A-; Stable" for its long term obligations.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	109.49	169.38
PAT	8.30	24.94
Interest coverage (times)	1.25	1.48
Total Assets	769.52	1267.14
Net NPA (%)	2.37	2.58
ROTA (%)	1.43	2.45

A- Audited; P- Provisional

Status of non-cooperation with previous CRA:

Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	2-Mar-2021	10.80%	Mar'2025	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	100.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20) 3)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)	1)CARE BBB; Stable (08-Jan-18) 2)CARE BBB-; Positive (28-Jul-17) 3)CARE BBB-; Stable (11-Apr-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (08-Jan-18) 2)CARE BBB-; Positive (28-Jul-17) 3)CARE BBB-; Stable (11-Apr-17)
3.	Fund-based - LT-Term Loan	LT	500.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20) 3)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)	1)CARE BBB; Stable (08-Jan-18) 2)CARE BBB-; Positive (28-Jul-17) 3)CARE BBB-; Stable (11-Apr-17)
4.	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)	1)CARE BBB; Stable (08-Jan-18) 2)CARE BBB-; Positive (28-Jul-17) 3)CARE BBB-; Stable (11-Apr-17)
5.	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	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)	-	-
6.	Debentures-Non	LT	20.25	CARE	1)CARE A-;	1)CARE A-	-	-

	Convertible Debentures			A-; Stable	Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	; Stable (07-Jan-20)		
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (03-Jul-20) 3)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (03-Jul-20)	-	-	-
9.	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	-	-	-
10.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (04-Feb-21) 2)CARE A-; Stable (14-Jul-20)	-	-	-
11.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (19-Aug-20)	-	-	-
12.	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (31-Aug-20)	-	-	-
13.	Debentures-Non Convertible Debentures	LT	23.96	CARE A-; Stable	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (29-Sep-20)	-	-	-

14.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (22-Feb-21) 2)CARE A-; Stable (04-Feb-21) 3)CARE A-; Stable (23-Dec-20) 4)CARE A-; Stable (12-Nov-20)	-	-	-
15.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (22-Feb-21) 2)CARE A-; Stable (04-Feb-21) 3)CARE A-; Stable (23-Dec-20) 4)CARE A-; Stable (12-Nov-20)	-	-	-
16.	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (04-Feb-21) 2)CARE PP MLD A-; Stable (23-Dec-20)	-	-	-
17.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (22-Feb-21) 2)CARE A-; Stable (04-Feb-21) 3)CARE A-; Stable (23-Dec-20)	-	-	-
18.	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (04-Feb-21)	-	-	-
19.	Debentures-Market Linked Debentures	LT	8.00	CARE PP MLD A-; Stable	1)CARE PP MLD A-; Stable (04-Feb-21)	-	-	-
20.	Bonds-Pooled Bond Issuance with Credit Enhancement Ratings	LT	20.00	CARE AA (CE); Stable	1)Provisional CARE AA (CE); Stable (08-Feb-21)	-	-	-

21.	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (16-Feb-21)	-	-	-
22.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (22-Feb-21)	-	-	-
23.	Debentures-Non Convertible Debentures	LT	20.00	CARE A-; Stable	1)CARE A-; Stable (08-Mar-21)	-	-	-
24.	Debentures-Non Convertible Debentures	LT	35.00	CARE A-; Stable	1)CARE A-; Stable (08-Mar-21)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities:
Credit Events
A credit event shall occur if:

- Any failure on part of the Company to make payment as per the original Repayment Schedule.
- Any default on 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 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 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 Reporting Covenant Timeline)
- Material Adverse Effect on the Issuer
- Any change in regulation/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 Legal Counsel shall be obtained (and shared with the Trustee) confirming the invalidation of assignment of the receivables

Pool Selection Criteria:

Each loan constituting the Assets shall 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.*
- Loan must have maturity date at least 1 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*

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

Sr. No	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Highly Complex

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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