

Kogta Financial (India) Limited

December 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	4,200.00 (Enhanced from 3,700.00)	CARE A+; Stable	Reaffirmed
Market-linked debentures	70.00	CARE PP-MLD A+; Stable	Reaffirmed
Non-convertible debentures	18.75	CARE A+; Stable	Reaffirmed
Non-convertible debentures	25.00	CARE A+; Stable	Reaffirmed
Market linked debentures	-	-	Withdrawn
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to long-term bank facilities and debt instruments of Kogta Financial (India) Limited (KFL) is considering its demonstrated track record of scale up in operations, experienced promoters, comfortable capital structure, and business growth complemented with comfortable resources raising ability.

However, rating strengths are partially offset by moderate asset quality metrics led by risks emanating from the KFL's vulnerable borrower segment, limited portfolio seasoning considering high portfolio growth in the last few years, moderate geographical concentration with top three states accounting to 68% of the entire asset under management (AUM) as on September 30, 2024. Going forward, the company's ability to demonstrate consistent and profitable growth will be key monitorable.

CARE Ratings Limited (CARE Ratings) has withdrawn ratings of market-linked debentures (MLD) and non-convertible debentures considering full redemption of facilities, as confirmed by the trustee.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant and consistent scale-up of operations.
- Stable asset quality metrics with net non-performing assets (NNPA) of less than 2.5%.
- Improving financial performance with return on managed assets (ROMA) of 3.0% and above on a sustained basis.
- Consistently attracting capital at competitive rates.

Negative factors

- Significantly dilution/ weakening of linkages with the promoters.
- Deteriorating profitability – declining ROMA below 1.5%.
- Deteriorating asset quality with the NNPA to tangible net worth (TNW) ratio remaining above 10%.
- Overall managed gearing (AUM/net worth) exceeding 4x.

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

Analytical approach:

Standalone

Outlook: Stable

The outlook is 'Stable' considering CARE Ratings expectation that the company can demonstrate consistent business growth complemented by healthy resource-raising ability and internal accruals.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

KFL is promoted by the Kogta family, which collectively holds 30.22% stake and has a track record of over two decades. Arun Kogta, MD and CEO, looks after business strategy, operations, and geographical expansion activities; Varun Kogta, whole-time director and CFO handles the Finance, IT and HR functions; and Nayan Kogta, COO, handles operations and credit. The company recently onboarded Romesh Sobti as Chairman and Non-Executive Independent Director, who has over 46 years of experience spanning public, foreign, and private banking sectors. In FY24, the company appointed Tushar Athavle as chief risk officer (CRO), who is actively working on risk based internal audit systems and has over 15 years of experience in building Enterprise Resilience, Enterprise Risk Management (ERM), Business Continuity Management (BCM) and Corporate Governance. The company is assisted by professional management team and supported by experienced the board comprising independent and nominee directors. Enabled by an established franchise, well-managed systems and processes, and demonstrated ability to attract capital, KFL has built a large customer base over s, supporting its growth momentum.

In the last five years, the company's branch network and AUM has grown to 252 and ₹5,241.11 crore as on September 30, 2024, from 59 branches and ₹720.37 crore as on March 31, 2019.

Comfortable capital structure supported by internal accruals & healthy capital raising ability

Since inception, KFL raised ~₹1,495.22 crore by existing and new PE investors, demonstrating healthy capital raising ability. In June 2024, KFL raised fresh equity of ₹610 crore by Ontario Teacher's Pension Plan which has bolstered the company's network to ₹1,902 crore (PY: ₹1,164 crore) as on September 30, 2024. Supported by improving accruals (RONW) and regular equity infusions, the company has comfortable capital structure; and the capital adequacy ratio (CAR) increased to 38.24% as on September 30, 2024 (PY: 31.12%), in comparison to 27.10% as on March 31, 2024 (PY: 34.09%). The company's overall gearing and managed gearing² stood at 3.12x and 3.83x as on March 31, 2024 (PY: 2.38x and 3.02x respectively), and 2.09x and 2.75x as on September 30, 2024 (PY: 2.63x & 3.44x respectively).

While CARE Ratings takes cognisance of comfortable capital structure, it expects overall gearing to increase in the near-to-medium term, as the company continues its growth momentum. However, on a steady-state basis, managed gearing levels are expected to remain below 4x, which shall be a key rating monitorable.

Business growth complemented with comfortable resources raising ability

KFL's total outstanding AUM (gross) increased by 41% from ₹3,396 crore as on March 31, 2023, to ₹4,793 crore as on March 31, 2024, with a three-year compounded annual growth rate (CAGR) of 47%. KFL has a fully secured loan portfolio with gross AUM of ₹5,241 crore as on September 30, 2024 (September 2023: ₹4,009 crore). The wheels portfolio is secured with a mix of used and new vehicles in ratio of 86:14. As on September 30, 2024, commercial vehicles comprised 67%, tractors – 13% and balance 20% constituting of MSME/LAP portfolio. Collateral taken in the loan against property/micro, small and medium enterprises (LAP/MSME) portfolio majorly comprise self-occupied residential and commercial properties which accounted for 90% of the cases,

² Adjusted Gearing = AUM/Tangible Network

while the remaining accounted for rented properties. Strength of secured nature of financing is partially offset by a riskier borrower segment characterised by self-employed borrowers in the low to middle-income category, whose income levels are susceptible to economic downturn, as was witnessed during the pandemic.

Operating leverage and demonstrated capital raising ability led to significant growth in the disbursements for last couple of years. The company's disbursements grew by ~31% from ₹2,382 crore in FY23 to ₹3,124 Crore in FY24 and to further ₹1,513 crore in H1FY24 (PY: ₹1,428 Crore). Disbursal growth however moderated in H1FY25 primarily considering tech migration to newer LOS (Loan Origination System).

KFL continues to have adequately diversified resource profile and stable cost of borrowings at 9.54% in FY24 (PY: 9.40%), as it is able to attract capital in the form of equity at regular intervals. As on September 30, 2024, KFL's borrowing mix included term loans - 87% (PY: 80%), debentures/bonds - 10% (PY: 13%), CC/OD/WC facilities - 1% (PY: 6%) and securitisation - 2% (PY: 1%). Given the company's ability to raise capital at competitive rates, CARE Ratings expects profitable growth momentum to continue as it expands its geographic reach.

Healthy, although moderating profitability metrics

In sync with higher disbursements and stable spreads, the company's margins have reflected an improvement in FY24. Despite rise in cost of borrowings for the industry, the company's cost of borrowings was stable at 9.54% in FY24, demonstrating its ability to raise funds at competitive rates. Opex continued to remain high in FY24 at 5.29% (PY: 5.75%) as the company continued its branch expansion and further ~5.40% for H1FY25, which is broadly offset by stable credit cost. The company's disbursements were impacted in H1FY25, as company migrated to new LOS system. Due to rise in delinquencies and lower disbursements than expected in H1FY25 because of migration to new LOS, company's NIM decreased to 7.23% (H1FY24.: 7.76%) against 7.80% in FY24 (FY23.: 8.02%). Hence, ROMA³ stood at 2.71% as on March 31, 2024 (PY: 2.37%) and further to 1.68% as on September 30, 2024 (PY: 2.34%). In H1FY25, PAT stood at ₹53.27 crore on a total income of ₹440.27 crore.

Going ahead, the company's ability to maintain profitability metrics with ROMA above 1.5% will be key monitorable.

Key weaknesses

Moderate scale of operations and high, although improving geographical concentration

Although the company was incorporated in 1996, its scale of operations has depicted a continuous growth trend in the last few years. The company's gross AUM has grown by 43% from ₹3,396 crore as of March 2023 to ₹4,793 crore as of March 31, 2024, and to further ₹5,241 crore as on September 30, 2024, however, its overall market presence remains moderate.

KFL has presence mainly in nine states with major portion of the loan portfolio in Rajasthan, Maharashtra, and Gujarat, which comprised 34%, 18% and 16% of the AUM, respectively, as on September 30, 2024. KFL also has operations in Madhya Pradesh and Delhi NCR region, which comprised 13% and 8% of the AUM as on September 30, 2024. Since FY19, the company has diversified its operations to Haryana, Uttar Pradesh and Punjab, which together comprised 11% of the AUM as on September 30, 2024. KFL has expanded its operations by opening new branches in the last two years, which led to further granular distribution of portfolio across 252 branches as on September 30, 2024, compared to 179 and 145 branches as on March 31, 2022, and March 31, 2021, respectively. Currently, the company is targeting to increase penetration/ productivity of existing branch network. Going forward, KFL's ability to diversify its operations to mitigate credit risk will remain a key monitorable.

Asset quality susceptible to shocks

KFL caters to the high yield riskier product class of used vehicle financing segment, which accounted for 80% of the vehicle finance portfolio as of March 2024 (PY: 79%). This product segment is vulnerable to the impact of economic downturn and yet to witness portfolio seasoning. Given the product segment, the company has witnessed slippage ratio in the range of 4%-4.5%

³ Return on Managed Assets = PAT/ (Tota Assets + Off-book Portfolio)

for past two years. As on March 31, 2024, KFL's GNPA and NNPA stood at 2.63% (PY: 3.32%) and 1.30% (PY: 1.81%), respectively which weakened to 3.83% (PY: 3.04%) and 2.10% (PY: 1.91%) respectively as on September 30, 2024. Rise in delinquencies is led by tractor and construction equipment segment in Q2FY25, considering prolonged rains in Rajasthan, which impacted borrower cashflows affecting collections.

While CARE Ratings expects the asset quality metrics to rebound in H2FY25, which shall continue to be monitorable given the vulnerable borrower class. The company's demonstrated track record of maintaining sound asset quality indicators and provision buffers provide comfort. As on March 31, 2024, the company's stage 3 PCR was at 51% (PY: 46%) and further stood at 46% as on September 30, 2024.

Liquidity: Adequate

As on September 30, 2024, KFL's liquidity remained adequate with positive cumulative mismatches in all time buckets. For the next one year, the company has debt obligations (including interest repayments) of ₹1,599.83 crore, against expected loan portfolio inflows of ₹3,550 crore and cash and cash equivalents of ₹960.12 crore. As a policy, KFL carries three months of liquidity for meeting its outflows (including debt repayments and operating expenses). Liquidity coverage ratio for debt obligations including interest up to one year stood at 60% as on September 30, 2024. Unutilised sanction lines stood at ₹455 crore, which provides comfort.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Policy on Default Recognition](#)

[Financial Ratios - Financial Sector](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Non-Banking Financial Companies](#)

[Market Linked Notes](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

Incorporated on January 15, 1996, KFL is a non-deposit taking Non-Banking Finance Company (NBFC-ND). KFL's promoters, the Kogta family, holds 30.22% of the KFL's equity and the residual is held by several investors like NHPEA V Kiwi (BVI) Limited (10.75%), Aditya (Mauritius) Limited (12.04%), Multiples Private Equity Fund III (12.31%), Javelin Investments Private Limited (7.70%) and 1000859610 Ontario Limited (22.95%). KFL is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture-based vehicles, and LAP financing and mainly operates in Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, Delhi, Haryana and Punjab. As on September 30, 2024, KFL operates through 252 branches across nine states. The gross AUM (Asset under Management) as on September 30, 2024, stood at ₹5,241 crore with the loan portfolio being fully secured.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	521.88	770.33	440.27
PAT	85.49	140.94	53.27
Interest Coverage (times)	1.61	1.64	1.40
Tangible Networth*	1,110.84	1,250.87	1,902.49
Total assets*	3,830.42	5,249.75	5,982.10
Gross NPA (%)	3.32	2.63	3.83
Net NPA (%)	1.81	1.30	2.10
Gearing (times)	2.38	3.12	2.09
Adjusted Gearing (times) (AUM/Networth)	3.02	3.83	2.75
ROTA (%)	2.68	3.10	1.90**
ROMA (%)	2.37	2.73	1.68**

A: Audited UA: Unaudited; Note: these are latest available financial results

*Net of deferred tax assets and intangible assets

**Annualised

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Market Linked Debentures	INE192U07319	29-Sep-2022	BSE Sensex 30 Performance	31-Oct-2025	35.00	CARE PP-MLD A+; Stable
Debentures-Market Linked Debentures	INE192U07327	21-Oct-2022	GSEC: 5.77% GS 2030	21-Apr-2025	35.00	CARE PP-MLD A+; Stable
Debentures-Market Linked Debentures	INE192U07251	27-Sept-2021	10-year g sec	27-Mar-2024	--	Withdrawn
Debentures-Market Linked Debentures	INE192U07269	27-Sept-2021	10-year g sec	27-Aug-2024	--	Withdrawn
Debentures-Non Convertible Debentures	INE192U07202	08-Jul-2021	9.65%	27-Aug-2024	--	Withdrawn

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	INE192U07160	25-Feb-2021	11.45%	25-Feb-2025	18.75	CARE A+; Stable
Debentures-Non Convertible Debentures	INE192U07194	17-Mar-2021	11.40%	31-Dec-2024	25.00	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	30-Sept-2028	107.20	CARE A+; Stable
Fund-based – LT-Cash credit (Proposed)	-	-	-	-	42.80	CARE A+; Stable
Fund-based - LT-Term Loan	-	-	-	30-Sept-2028	2,621.96	CARE A+; Stable
Fund-based – LT - Term loan (Proposed)	-	-	-	-	1,428.04	CARE A+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	150.00	CARE A+; Stable	-	1)CARE A+; Stable (13-Mar-24) 2)CARE A; Positive (04-Jan-24) 3)CARE A; Positive (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (06-Jan-22) 2)CARE A-; Stable (24-Sep-21)
2	Fund-based - LT-Term Loan	LT	4050.00	CARE A+; Stable	-	1)CARE A+; Stable (13-Mar-24) 2)CARE A; Positive (04-Jan-24) 3)CARE A; Positive	1)CARE A; Stable (22-Jul-22) 2)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (06-Jan-22) 2)CARE A-; Stable (24-Sep-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						(20-Jun-23)		
3	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
7	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
8	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
9	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
10	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
11	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
12	Debentures-Non Convertible Debentures	LT	18.75	CARE A+; Stable	-	1)CARE A+; Stable (13-Mar-24) 2)CARE A; Positive (04-Jan-24) 3)CARE A; Positive (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
13	Debentures-Market Linked Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE PP MLD A-; Stable (24-Sep-21)
14	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
15	Debentures-Market Linked Debentures	LT	-	-	-	1)Withdrawn (20-Jun-23)	1)CARE PP-MLD A; Stable (21-Jun-22)	1)CARE PP MLD A-; Stable (24-Sep-21)
16	Debentures-Market Linked Debentures	LT	-	-	-	1)Withdrawn (04-Jan-24) 2)CARE PP-MLD A; Positive (20-Jun-23)	1)CARE PP-MLD A; Stable (21-Jun-22)	1)CARE PP MLD A-; Stable (24-Sep-21)
17	Bonds-Non Convertible Bonds	LT	-	-	-	1)Withdrawn (11-Jul-23)	1)CARE AA (CE); Stable (20-Feb-23)	1)CARE AA (CE); Stable (04-Mar-22)
18	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
19	Debentures-Non Convertible Debentures	LT	25.00	CARE A+; Stable	-	1)CARE A+; Stable (13-Mar-24) 2)CARE A; Positive (04-Jan-24) 3)CARE A; Positive (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
20	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
21	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (04-Jan-24) 2)CARE A; Positive (20-Jun-23)	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)
22	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+; Stable (13-Mar-24) 2)CARE A; Positive (04-Jan-24) 3)CARE A; Positive (20-Jun-23)	1)CARE A; Stable (28-Sep-22)	1)CARE A-; Stable (29-Sep-21) 2)Provisional CARE A-; Stable (05-Jul-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
23	Debentures-Market Linked Debentures	LT	-	-	-	1)CARE PP-MLD A+; Stable (13-Mar-24) 2)CARE PP-MLD A; Positive (04-Jan-24) 3)CARE PP-MLD A; Positive (20-Jun-23)	1)CARE PP-MLD A; Stable (21-Jun-22)	1)CARE PP MLD A-; Stable (24-Sep-21)
24	Un Supported Rating	LT	-	-	-	1)Withdrawn (11-Jul-23)	1)CARE A (20-Feb-23)	1)CARE A- (04-Mar-22)
25	Debentures-Market Linked Debentures	LT	70.00	CARE PP-MLD A+; Stable	-	1)CARE PP-MLD A+; Stable (13-Mar-24) 2)CARE PP-MLD A; Positive (04-Jan-24) 3)CARE PP-MLD A; Positive (20-Jun-23)	1)CARE PP-MLD A; Stable (28-Sep-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Highly Complex
2	Debentures-Non-Convertible Debentures	Simple
3	Fund-based - LT-Cash Credit	Simple
4	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

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About us:

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