

Kogta Financial (India) Limited

September 28, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Market-linked debentures	70.00	CARE PP-MLD A; Stable (Principal Protected-Market Linked Debentures Single A; Outlook: Stable)	Assigned
Non-convertible debentures (@)	15.73 (Reduced from 30.00)	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total long-term instruments	85.73 (₹ Eighty-five crore and seventy-three lakh only)		

Details of instruments/facilities in Annexure-1.

@ The NCDs would be supported by (to be made available before deemed date of allotment): an irrevocable and unconditional guarantee from the SPV backed by first and exclusive hypothecation of vehicle loan receivables ("Assets") to the extent of 1.17x cover held by the SPV and cash collateral in the form of a fixed deposit lien marked in favour of the Debenture Trustee amounting to of 5% of issue size, which shall be constant amount throughout the tenor of the NCD.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised the ratings assigned to the non-convertible debentures (NCDs) of Kogta Financial (India) Limited (KFL) from 'CARE A-; Stable' to 'CARE A; Stable', covered with the security pool of vehicle loan receivables. Also, CARE Ratings has assigned 'CARE PP-MLD A; Stable' to the principal protected market-linked debentures of KFL. The ratings assigned factor in the company's successful completion of Series D round of institutional equity infusion of ₹400 crore that has bolstered its capital base as well as demonstrated ability to scale up the business, notwithstanding disruptions from the pandemic while managing asset quality metrics. The ratings of KFL also derive strength from its long-established track record in financing industry, experienced promoters, diversified resource base, majorly secured nature of the portfolio and well-managed systems and processes.

The ratings are, however, constrained by moderate geographical concentration, inherent risks emanating from the borrower segment susceptible to economic downturns, and modest profitability. The ratings are further constrained on account of the pressure on asset quality levels on the back of economic shocks induced by COVID-19, although CARE Ratings believes that KFL has been able to control net 90+ dpd delinquencies at 3.16% levels as on June 30, 2022.

Rating sensitivities

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

- Significant growth in the loan portfolio.
- Diversification in terms of geography and resource base along with sustained improvement in the asset quality.

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

- Deterioration in profitability – decline in return on total assets (ROTA) below 1.5% on a sustained basis.
- Deterioration in the asset quality such that net non-performing assets (NPA) to tangible net worth (TNW) remain above 10% on a sustained basis.
- Overall gearing exceeding 4x.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters with long track record of operations: Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 35 years in the finance, construction and other SME businesses, especially in vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities, while Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. The top management team of KFL has rich experience in their respective fields. Furthermore, with the recent

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

capital raise, KFL has also demonstrated its ability to onboard new as well as tap existing reputed PE investors for additional capital.

Furthermore, KFL has a long track record of more than two decades in the industry. Over the years, KFL has built a large customer base, thereby generating substantial business from its existing customers. The recent verticalisation in the organisation structure has helped in taking a more focused approach across product types. In addition, KFL has built a decent employee strength, which increased from 2,239 as on March 31, 2021 to 3,181 as on March 31, 2022, including several hires at the mid-senior management level. Going forward, aiming to further penetrate geographies and increase its scale, KFL will be focusing on hiring of executives and branch managers, and plans to close the headcount at around 4,300 in FY23 (refers to the period April 1 to March 31).

Comfortable capital structure on account of regular fund infusion to provide cushion to absorb elevated credit costs if any, going forward: Following the equity infusion in May 2022, KFL's net-owned funds increased substantially to ₹1,050 crore, from ₹651 as on March 31, 2022, thereby providing the balance sheet strength to undertake the next phase of growth. The capital adequacy ratio (CAR) increased to 41.73% (Tier-I: 41.68%) as on June 30, 2022, in comparison with 28.46% (Tier-I: 28.46%), as on March 31, 2022, well above the regulatory requirements of 15%.

Over the last several years, KFL has received funds on a regular basis aggregating to the tune of ₹886.25 crore, via issuing compulsory convertible preference shares (CCPS) to various large investors. This has helped KFL to maintain gearing at comfortable levels of 1.72x as on June 30, 2022. CARE Ratings expects the overall gearing to increase as the company undertakes planned growth in the assets under management (AUM) levels, however, on a steady state basis, gearing levels are likely to trend around 4x, and this will remain a key rating monitorable. In CARE Ratings' opinion, although the current capitalisation and gearing levels give KFL necessary wherewithal to support the planned near term growth, its ability to maintain healthy capitalisation levels to absorb asset side shock, if any, going forward, remains a key rating driver.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has a fully secured loan portfolio as on June 30, 2022. The portfolio is secured against the used/new vehicles (commercial vehicles [CVs], four wheelers, two wheelers, tractors, equipment) and property mortgage. As on June 30, 2022, used vehicle financing forms 65% of the total AUM, new vehicle financing accounts for 13%, and the balance 22% constitutes of loan against property (LAP).

CVs (HCV + LCV + SCV), four wheelers, tractors and multi-utility vehicles (MUV) accounted for 28.48%, 27.78%, 11.34% and 8.13%, respectively, of total AUM, while LAP accounted for 21.90% as on June 30, 2022. Furthermore, KFL's tractor financing segment qualifies for priority sector and direct agricultural lending, as per the Reserve Bank of India (RBI) guidelines giving opportunities for DA and securitisation.

The 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 the impact of economic downturn, as was witnessed through the pandemic.

Well-managed in-house appraisal, origination and collection team along with good MIS system: KFL has developed an in-house ERP system for online monitoring of all loan accounts and generation of required MIS reports, which is upgraded on a regular basis. KFL has an established monitoring structure for overseeing its operations, including area-wise, product-wise and sales executive-wise details. It has defined credit appraisal, collection and monitoring systems, including profile of clients, ticket size, KYC, etc. It has implemented specialised software with web-based browser and user level restrictions to ensure speedy access to information with data security. Credit-appraisal and final approval of loan is done by a dedicated team for ticket size below ₹10 lakh, while for above that, approval is given by the top management itself.

Furthermore, KFL has a dedicated vertical for collections with the National head looking after the overall collections. The teams are segmented as per bucket-wise delinquency, with a dedicated team for 0-30 DPD customers, 30-60 DPD customers and 90+ customers. This leads to an effective method of controlling bucket-wise slippages of customers, which is also demonstrated from a 16.92% 0+ DPD AUM as compared with only 3.16% of net 90+ DPD AUM as on June 30, 2022. Also, the company has a separate team for Tele calling, which focuses on recovery of overdue from the customers who have bounced on their NACH payments. The company has time till September 30, 2022 to put in place necessary changes prescribed by the RBI in the November 12 IRACP circular and has accordingly brought about several changes in its approach towards collection. Several efforts are underway to increase the on-time collections, as the management believes this will be critical in controlling the overall spill-over in the 90+ bucket.

Growing scale of operations with a broad resource base: KFL's scale of operations has depicted continuous growth trend. KFL's total outstanding AUM (gross) (including securitised portfolio) increased from ₹1,496.31 crore as on March 31, 2021 to ₹2,183.31 crore as on March 31, 2022, notwithstanding the disruptions caused by the COVID-19 pandemic. This was

led by significant increase in the disbursement by around 71% to ₹1,389.32 crore during FY22 over FY21. During Q1FY23, KFL's AUM further increased to ₹2,312.74 crore with disbursements of ₹396.54 crore.

Going forward, the management expects to record disbursements of ₹170-200 crore per month and has targeted AUM levels of around ₹5,000 crore in the next two years. KFL continues to have adequately diversified resource profile for the scale of its business. As on June 30, 2022, KFL's borrowing mix included loans (60.87%), debentures/bonds (23.53%), CC/OD/WC facilities (9.82%) and securitisation (5.77%). As on June 30, 2022, the company had borrowing relationships with 43 banks, 15 SFBs, 9 debt funds and 46 other financial institutions. As on June 30, 2022, 48% of the borrowings are fixed rate in nature and majority of the remaining 52% are linked to the MCLR, hence any impact on the cost of funds in rising interest rate environment, is expected to be relatively gradual. KFL's continued ability to raise debt resources at competitive rates and promoters' and existing investor's ability to infuse capital, as required to support growth, would be construed as the key credit positives.

Key rating weaknesses

Moderate geographical concentration: KFL has presence mainly in eight states with major portion of the loan portfolio in Rajasthan, Gujarat and Maharashtra, which comprised 36%, 17% and 17% of its AUM, respectively, as on June 30, 2022. KFL also has operations in Madhya Pradesh and Delhi NCR region, which comprised 11% and 4% of its AUM as on June 30, 2022. Furthermore, since FY19, the company has diversified its operations to Haryana, Uttar Pradesh and Punjab, which together comprised 15% of its AUM as on June 30, 2022. KFL has expanded its operations by opening new branches during FY22, which led to further granular distribution of portfolio across 179 branches as on March 31, 2022, compared with 145 branches as on March 31, 2021. Going forward, KFL's strategy on reducing dependence on Rajasthan and its implementation will be one of the credit monitorable.

Moderate asset quality and profitability, hinged on underlying borrower behaviour in an uncertain economic environment, however, high yields and comfortable capitalisation providing cushion to absorb asset side shocks, if any: KFL's gross non-performing assets (GNPA) stood at 3.61% as on March 31, 2022, as compared with 3.35% as on March 31, 2021. NNPA stood at 2.52% as on March 31, 2022, as compared with 2.39% as on March 31, 2021. In Q1FY23, GNPA and NNPA deteriorated to 4.94% and 3.55% due to seasonality impact, as Q1/H1 accounted for rainy season, thereby impacting vehicle mobility resulting in decrease in the income; yearly all India permit taxes of vehicle get due in Q1 impacting savings and customers having allied agri land move towards sowing of land which requires extra money for seeds and pesticides. However, in H2, the company is able to recover, and provisions are also low resulting in lower GNPA. In view of this, the company anticipates GNPA to be around 3.50% by end of FY23.

On a net basis, 90+ dpd stood at ₹73.03 crore and mainly comprised LAP and business loans 35.16%, Four-wheeler loans 22.16%, LCV 20.53%, HCV 9.35%. LAP and business loans are extended to the MSME sector, which was impacted by the COVID-19 pandemic, that has adversely impacted the loan repaying capacity of these borrowers. In terms of delinquency in PAR 90 (AUM) as on June 30, 2022, the same stood at 5.07% for LAP and business loans, 2.52% for four-wheeler loans, 3.39% for LCVs, 6.28% for heavy commercial vehicles segment.

The restructured book stood at 3.17% as on March 31, 2022 and is adequately provided for (based on higher of RBI or Ind-as requirement). Incremental slippages from the restructured book in FY22 amounted to around ₹7 crore to ₹8 crore. The collection efficiency (included overdues) has recovered post May 2021 and stood at 98.52% in July 2022. The company operates in high yield riskier product class as is evident from around 60% of the outstanding book constituted by used vehicle financing. Correspondingly, KFL is able to generate higher interest rates in the range of 18%-19%, giving it reasonable headroom to absorb related credit costs, when compared with its average cost of funds of around 9%-9.5%. The ability to absorb the credit costs is further supported by comfortable capitalisation levels with CAR of 41.73% as on June 30, 2022. Furthermore, although KFL witnessed higher delinquencies in softer buckets with 0+ DPD stood at 16.92% as on June 30, 2022, it has demonstrated ability to control slippages into harder buckets, as is evident from the net 90+ DPD at 3.16%.

CARE Ratings also notes that the profitability metrics continues to remain moderate, with ROTA of 2.36% in FY22 in comparison with 2.92% in FY21. The net interest margin (NIM) declined to 8.2% in FY22 from 9.9% in FY21 on account of the rise in cost of funds as well as negative carry-on account of excess liquidity. Furthermore, operating expenses/ATA increased to 5.7% from 4.9% on account of increase in the employee expenses, as KFL hired employees at various mid-senior management levels.

The company reported profit after tax (PAT) of ₹8.86 crore in Q1FY23, and ROTA stood at 1.30% (Q1FY22: 1.77%). Going forward, the company's ability to generate healthy profitability metrics while containing its credit costs related to incremental business, will remain a key credit sensitivity. Nonetheless, given the higher yields generated from the product class, KFL should be able to absorb the elevated credit costs, if any. The ability to absorb the credit costs is further supported by comfortable capitalisation levels.

Liquidity: Adequate

The liquidity position of KFL as on June 30, 2022, has remained adequate. KFL has comfortable asset and liability management (ALM) as on June 30, 2022, with no negative cumulative mismatch in any time bucket. As on June 30, 2022, KFL has free cash and bank balance including FDRs of ₹337 crore and free current investments (mutual fund/equity market etc.) of ₹434 crore, combined with inflows from advances (excluding interest income) of ₹485 crore and undrawn bank lines of ₹66.50 crore, against its debt repayment obligation (excluding interest expense) of ₹867 crore for the next 12 months. Furthermore, as stated by the management, the company will maintain liquidity for next three months of disbursements, which is to the tune of around ₹500 to ₹600 crore.

Analytical approach

Standalone business profile, management and financial risk profile of KFL.

Applicable criteria

[Rating outlook and credit watch](#)

[CARE Ratings' policy on Default Recognition](#)

[Criteria for non-banking financial companies](#)

[Financial ratios – Financial sector](#)

[Rating Methodology-Market Linked Notes](#)

About the company

Incorporated on January 15, 1996, Kogta Financial (India) Ltd. (KFL) is a non-deposit taking non-banking finance company (NBFC-ND). KFL is primarily engaged in used and new vehicle financing, including commercial vehicles, multi-utility vehicles, cars, agriculture-based vehicles, etc., LAP financing and business loans and mainly operates in the states of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, Delhi, Haryana and Punjab. KFL operates through 179 branches across eight states. The gross asset under management (AUM) as on June 30, 2022 stood at ₹2,312.74 crore.

In May 2022, the company successfully concluded its Series D round of institutional equity of ₹400 crore led by new private equity investor Multiple Asset Management (via their fund Multiples Private Equity Fund III). Canada Pension Plan Investment Board (via Javelin Investments Private Limited) along with existing investors, Creador Advisors LLP (via Aditya Mauritius Ltd) and Morgan Stanley Private Equity Asia (via NHPEA Rimo Holding BV) also participated in the round. The transaction also involved secondary sale of all shares held by IIFL Seed Venture Fund (IIFL) to new and existing investors. The post transaction shareholding on a diluted basis as on May 11, 2022, was Promoter group (including warrants) (31.69%), NHPEA Rimo Holding BV (23.15%), Aditya Mauritius Ltd (17.24%), Multiples Private Equity Fund III (14.3%), and Javelin Investments Private Limited (8.95%).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (Prov.)
Total operating income	245.47	360.30	112.33
PAT	45.14	52.13	8.86
Interest coverage (times)	1.76	1.48	1.26
Total Assets	1,850.35	2,573.29	2,898.42
Net NPA (%)	2.39	2.52	3.55
ROTA (%)	2.92	2.34	1.30

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE192U07202	July 8, 2021	9.65%	June 22, 2024	15.73	CARE A; Stable
Debentures-Market Linked Debentures (Proposed)	-	-	-	-	70.00	CARE PP-MLD A; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	100.00	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	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)
2	Fund-based - LT-Term loan	LT	1400.00	CARE A; Stable	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)	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)
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)

4	Debentures-Non-convertible debentures	LT	-	-	1)Withdrawn (21-Jun-22)	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	6.75	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	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 (21-Jun-22)	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 (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (04-Feb-21) 2)CARE A-; Stable (03-Jul-20)	-
8	Debentures-Non-convertible debentures	LT	-	-	1)Withdrawn (21-Jun-22)	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	-	-	1)Withdrawn (21-Jun-22)	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	-	-	1)Withdrawn (21-Jun-22)	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	5.21	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	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	-	-	1)Withdrawn (21-Jun-22)	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	18.75	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	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)	-
15	Debentures-Market Linked Debentures	LT	-	-	1)Withdrawn (21-Jun-22)	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 (21-Jun-22)	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 (21-Jun-22)	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 (21-Jun-22)	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 (04-Mar-22)	1)CARE AA (CE); Stable (09-Mar-21) 2)Provisional CARE AA (CE); Stable (08-Feb-21)	-
20	Debentures-Non-convertible debentures	LT	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (16-Feb-21)	-
21	Debentures-Non-convertible debentures	LT	25.00	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	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	-	-	1)Withdrawn (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (08-Mar-21)	-
23	Debentures-Non-convertible debentures	LT	19.83	CARE A; Stable	1)CARE A; Stable (21-Jun-22)	1)CARE A-; Stable (24-Sep-21)	1)CARE A-; Stable (08-Mar-21)	-
24	Debentures-Non-convertible debentures	LT	15.73	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 (21-Jun-22)	1)CARE PP MLD A-; Stable (24-Sep-21)	-	-
26	Unsupported rating	LT	0.00	CARE A-	-	1)CARE A- (04-Mar-22)	-	-
27	Debentures-Market Linked Debentures	LT	70.00	CARE PP-MLD A; Stable				

*Long term/Short term.

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	

I. Debentures-Non-convertible debentures	<ol style="list-style-type: none"> 1. Capital Adequacy of Borrower not to fall below 20%. 2. Gross Stage III assets of the Borrower not to exceed 5%. 3. Financial Indebtedness to Tangible Net Worth (TOL/ TNW) ratio not to exceed 4.0x. 4. Cover of 1.17x to be maintained on the outstanding Facility at all points of time and subject to pool selection criteria. 5. Cumulative Asset Liability mismatch should always be positive in all the buckets upto 1 year.
B. Non-financial covenants	
I. Debentures-Non-convertible debentures	<ol style="list-style-type: none"> 1. Management control to remain with the Kogta family 2. Arun Kogta and Varun Kogta remaining on the board of the company 3. Rating downgrade of the Borrower below BBB+ by any rating agency (Current rating – 'CARE A')

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Highly Complex
2	Debentures-Non-convertible debentures	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 instruments: CARE Ratings 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 us:

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