No. CTL/DEB/20-21/Noting Certificate/2969

November 11, 2020

To Whomsoever It May Concern,

CERTIFICATE FOR RECEIPT AND NOTING OF INFORMATION

[Pursuant to Regulation 52(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

We, Catalyst Trusteeship Limited (**“Debenture Trustee”**) hereby confirm that we have received and noted the information, as specified under regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (**“Regulations”**), provided to us by **Kogta Financial (India) Limited (“the Company”)** for the Half year ended September 30, 2020.

This Certificate is being issued pursuant to the requirements of regulation 52(5) of the aforesaid Regulations, for onward submission to Stock Exchange(s) by the Company.

For **Catalyst Trusteeship Limited**

For CATALYST TRUSTEESHIP LIMITED
Authorised Signatory

Authorised Signatory

Encl: Results submitted by Company

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel: +91 22 6819 8000

Independent Auditor's Review Report on the Half-yearly Unaudited Financial Results of the Company Pursuant to Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

Review Report to
The Board of Directors
Kogta Financial (India) Limited

1. We have reviewed the accompanying statement of unaudited financial results of Kogta Financial (India) Limited (the "Company") for the half year ended September 30, 2020 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter - Assessment of Covid-19 Impact

5. We draw attention to Note 6 to the Statement, which describes the uncertainty arising from COVID 19 pandemic and impacting the Company's operations and estimates related to impairment of assets, which are dependent on future developments regarding the severity and duration of the pandemic.

Our conclusion is not modified in respect of this matter.

For S.R. BATLIBOI & Co. LLP
Chartered Accountants
ICAI Firm registration number: 301003E/E300005

SHRAWAN BHAGWATI JALAN
Digitally signed by SHRAWAN BHAGWATI JALAN
DN: cn=SHRAWAN BHAGWATI JALAN, c=IN, o=Personal, email=shrawan.jalan@srb.in
Date: 2020.11.11 15:47:05 +05'30'

per Shrawan Jalan
Partner
Membership No.: 102102
UDIN: 20102102AAAEJT8235
Mumbai
November 11, 2020

KOGTA FINANCIAL (INDIA) LIMITED
CIN -U67120RJ1996PLC011406
Regd Office: Kogta House, Azad Mohalla, Bijainagar, Rajasthan-305624
Tel.: +0141-6767000 I Website: www.kogta.in

Unaudited Financial Results for the half year ended September 30, 2020

(Amount in Rs. Lacs unless otherwise stated)

Particulars	As at September 30, 2020	As at March 31, 2020
	Unaudited	Audited
ASSETS		
A. Financial Assets		
Cash and cash equivalents	2,125.97	671.04
Bank Balances other than cash and cash equivalents	12,595.63	19,751.98
Loans	104,918.64	98,055.45
Investments	8,005.25	-
Other Financial Assets	677.50	2,657.43
Sub-total-Financial assets (A)	**128,322.99**	**121,135.90**
B. Non-Financial Assets		
Deferred Tax Assets (net)	513.31	527.70
Property, plant and equipment	580.48	639.74
Intangible Assets under development	9.67	-
Right of Use Assets	779.79	875.12
Other Intangible Assets	73.97	79.70
Other non-financial assets	770.13	1,724.31
Sub-total-Non-financial assets (B)	**2,727.35**	**3,846.57**
Total - Assets (A+B)	**131,050.34**	**124,982.47**
LIABILITIES AND EQUITY		
LIABILITIES		
A. Financial Liabilities		
Trade Payables	176.81	194.79
Debt securities	19,190.63	8,592.78
Borrowings (Other than debt securities)	52,394.02	59,463.96
Lease Liability	861.00	928.02
Other financial liabilities	732.12	609.71
Sub-total-Financial liabilities (A)	**73,354.58**	**69,789.26**
B. Non-Financial liabilities		
Provisions	572.83	205.00
Other non-financial liabilities	76.17	117.38
Sub-total-Non-financial liabilities (B)	**649.00**	**322.38**
C. EQUITY		
Equity share capital	7,652.94	7,652.94
Other equity	49,393.82	47,217.89
Sub-total - Equity (C)	**57,046.76**	**54,870.83**
Total - Liabilities and Equity (A+B+C)	**131,050.34**	**124,982.47**

For and on behalf of the Board of Directors of
Kogta Financial (India) Limited

Arun
Kogta

Arun Kogta
(Managing Director & CEO)
DIN 05109722

Place: Jaipur
Date: November 11, 2020

KOGTA FINANCIAL (INDIA) LIMITED
CIN-U67120RJ1996PLC011406
Regd Office: Kogta House, Azad Mohalla, Bijainagar, Rajasthan-305624
Tel.: +0141-6767000 I Website: www.kogta.in

Statement of Unaudited Financial Results for the half year ended September 30, 2020

(Amount in Rs. Lacs unless otherwise stated)

Particulars	Half year ended		Year ended
	September 30, 2020	September 30, 2019	March 31, 2020
	Unaudited	Unaudited	Audited
A. Revenue from operations			
Interest Income	10,451.33	6,859.45	16,290.33
Fee and Commission Income	261.63	453.85	575.49
Net gain on fair value changes	5.30	-	65.18
Total Revenue from operations (A)	**10,718.26**	**7,313.30**	**16,931.00**
B. Other Income	**4.26**	**5.16**	**6.95**
Total Income (A+B)	**10,722.52**	**7,318.46**	**16,937.95**
C. Expenses			
Finance Costs	3,521.87	3,299.30	6,926.92
Impairment on financial instruments	1,245.65	858.56	814.87
Employee Benefits Expenses	2,509.59	1,904.20	4,271.00
Depreciation and amortization expenses	223.31	162.86	420.74
Others expenses	460.00	570.34	1,258.78
Total expenses (C)	**7,960.42**	**6,795.26**	**13,692.31**
Profit before taxes (A+B-C)	**2,762.10**	**523.20**	**3,245.64**
Tax expenses			
- Current Taxes	675.72	235.76	940.06
- Deferred Taxes	14.40	(211.63)	(188.42)
Income tax expenses (D)	**690.12**	**24.13**	**751.64**
Profit for the period (A+B-C-D)	**2,071.98**	**499.07**	**2,494.00**
E. Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss			
(a) Re-measurements of net defined benefit plans	(2.41)	(22.88)	(15.63)
(ii) Income tax relating to items that will not be reclassified to profit or loss	(0.61)	(5.76)	(3.93)
Other Comprehensive Income (E)	**(1.80)**	**(17.12)**	**(11.70)**
Total Comprehensive Income for the period (net of tax) (A+B-C-D+E)	**2,070.18**	**481.95**	**2,482.30**
Earnings per equity share *			
Basic (Rs.)	21.52	5.20	25.83
Diluted (Rs.)	7.66	2.42	10.44

* Not annualised for the half year ended September 30, 2020 & September 30, 2019

For and on behalf of the Board of Directors of
Kogta Financial (India) Limited

Arun Kogta

Arun Kogta
(Managing Director & CEO)
DIN 05109722

Place: Jaipur
Date: November 11, 2020

KOGTA FINANCIAL (INDIA) LIMITED
CIN -U67120RJ1996PLC011406
Regd Office: Kogta House, Azad Mohalla, Bijainagar, Rajasthan-305624
Tel.: +0141-6767000 I Website: www.kogta.in

Unaudited Financial Results for the half year ended September 30, 2020

Notes:

1. Kogta Financial (India) Limited (the 'Company') has prepared unaudited financial results (the 'Statement') for the half year ended September 30, 2020 in accordance with Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations, 2015') and the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and the relevant provisions of the Companies Act, 2013, as applicable.

2. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on November 11, 2020, in accordance with the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The above results for the half year ended September 30, 2020 have been reviewed by the Statutory Auditors of the Company.

3. The Company operates in a single reportable segment i.e. lending to retail customers under various product lines, having similar risks and returns for the purpose of Ind AS 108 on 'Operating Segments'. The Company operates in a single geographic segment i.e. domestic.

4. In terms of the requirement as per RBI notification no. RBI/2019-20/170 DOR (NBFC).CC.PD.No. 109/22.10.106/2019-20 dated March 13, 2020 on implementation of Indian Accounting Standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and income recognition, Asset classification and Provisioning (IRACP) norms (including provision on standard asset). The impairment allowances under Ind AS 109 made by company exceeds the total provision required under IRACP (including standard asset provisioning), as at September 30, 2020 and accordingly, no amount is required to be transferred to impairment reserve.

5. In accordance with Reserve Bank of India ("RBI") guidelines relating to 'COVID-19 – Regulatory Package' dated March 27, 2020 and subsequent guideline on EMI moratorium dated April 17, 2020 and May 23, 2020 ("RBI regulatory package"), the company has offered moratorium on the payment of installments falling due between March 1, 2020 to August 31, 2020 ("moratorium period") to all eligible borrowers. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded from no. of days past dues for the purpose of asset classification. The company holds provision as at September 30, 2020 against the potential impact of COVID-19 based on the information available up to a point in time.

   Disclosures as required by RBI circular dated April 17, 2020 'COVID-19 Regulatory Package – Asset classification and provisioning are given below:

   (Rs. in 'lacs')

Particulars	As at September 30, 2020
Advance outstanding in SMA/Overdue categories where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular*	18,813.79
Respective amounts where assets classification benefit was extended*	4,401.24
Provision made in terms of paragraph 5 of the circular (As per paragraph 4 applicable to NBFC's covered under IND AS)**	205.21
Provision adjusted against slippages in terms pf paragraph 6 of the circular	-
Residual provision in terms of paragraph 6 of the circular	205.21

   *Principal outstanding of accounts under SMA/Overdue category is as of September 30, 2020.

   **Above provision does not include management overlay provision of Rs. 651.61 lacs on overall stage 1 and 2 assets on account of COVID-19 as of September 30, 2020.

6. Consequent to the outbreak of CoVID-19 pandemic, the Indian Government had announced a lockdown in March 2020. Subsequently, the lockdown has been lifted by the government for certain activities in a phased manner outside specified containment zones. While there have been some improvements in economic activity during the current half year, the continued slowdown has led to a decrease in loan origination and impacted efficiency in collection efforts during the half year. Further, in accordance with Reserve Bank of India guidelines relating to CoVID-19 Regulatory package dated March 27, 2020 April 17, 2020 and May 23, 2020, the Company has offered moratorium on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 to August 31, 2020 to all eligible borrowers.

   Further, the Hon'ble Supreme Court, in a public interest litigation, vide an interim order dated September 3, 2020 ('interim order') has directed that accounts classified which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Company has not declared any account as NPA, as per RBI norms, after August 31, 2020 which was not NPA till August 31, 2020. However, such loans have been classified as stage 3 and provided accordingly.

Estimates and associated assumptions applied in preparing these financial results, especially for determining the impairment allowance for the Company's financial assets (Loans), are based on historical experience and other emerging/forward looking factors on account of the pandemic. The Company believes that the factors considered are reasonable under the current circumstances. The Company has used estimation of potential stress on probability of default and exposure at default due to Covid-19 situation in developing the estimates and assumptions to assess the impairment loss allowance on Loans. Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and maybe affected by severity and duration of the pandemic. In the event the impacts are more severe or prolonged than anticipated, this will have a corresponding impact on the carrying value of financial assets, the financial position and performance of the Company.

The Company holds impairment allowance of Rs. 2,128.84 lakhs as at September 30, 2020 including the potential impact of COVID – 19 based on the information available at this point in time.

7. The Government of India, Ministry of Finance, vide its notification dated October 23, 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. The Company has worked upon the operational aspects of the Scheme.

8. The figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period presentation.

For and on behalf of the Board of Directors of
Kogta Financial (India) Limited

Arun
Kogta

Place: Jaipur
Date: November 11, 2020

Arun Kogta
Managing Director & CEO
DIN 05109722

November 11, 2020

To,
Catalyst Trusteeship Limited
Windsor, 6th Floor, Office No - 604,
C.S.T. Road, Kalina, Santacruz (East),
Mumbai – 400098, Maharashtra.

Sub.: Listed NCD - Statutory Compliance Report for the half year ending September 30, 2020

Dear Sir/Ma'am,

This is with reference to your letter No. CTL/MUM/Compliance/Half-Yearly/2020-21/2087 dated September 30, 2020 and as per applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submitting the following: -

Part I - Information to be submitted to Stock Exchange (Regulation 52)

As per Regulation 52 (4) & (5), we submit the statement to the stock exchange along with financial results and Noting Certificate of Debenture Trustees for the half year ended on September 30, 2020. Further, as per Regulation 52(7), there is no material deviation in the use of proceeds of issue of NCDs from the object stated in the Offer Document.

a) Un-audited financial results for the half year ended as on September 30, 2020 – **enclosed herewith.**

b) Credit rating and change in credit rating:

The CARE Ratings Limited have assigned following ratings to the Company:

Facility	September 30, 2020	March 31, 2020
Long term bank facilities	CARE A-; Stable	CARE A-; Stable
Secured Non-Convertible Debentures	CARE A-; Stable	CARE A-; Stable
Unsecured Non-Convertible Debentures (Listed)	-	[ICRA] AA (CE) (Stable)
Unsecured Non-Convertible Debentures (Unlisted)	CARE A-; Stable	CARE A-; Stable

KOGTA FINANCIAL (I) LTD.

c) **Asset cover available, in case of non-convertible debt securities**: The Company is maintaining an adequate asset cover by way of creation of exclusive charge by hypothecation on the receivables or mortgage of property with respect to its secured listed Non- Convertible Debentures.

d) **Debt-equity ratio:** 1.25 times

e) Previous due date for the payment of Interest and repayment of principal of non-convertible debt securities and whether the same has been paid or not – **Attached in ANNEXURE A.**

f) Next due date for the payment of interest and principal along with the amount of interest of non-convertible debentures payable and the redemption amount: - **Attached in ANNEXURE A.**

g) Debt service coverage ratio; Non-Banking Financial Companies registered with the Reserve Bank of India are not required to disclose the said requirements (***not applicable for NBFC***);

h) Interest service coverage ratio; Non-Banking Financial Companies registered with the Reserve Bank of India are not required to disclose the said requirements (***not applicable for NBFC***);

i) Details of Debenture redemption reserve(DRR) Debenture Redemption Fund (DRF) in the format – **Not Applicable** according to Rule 18 (7) (b) (iv) (A) of the Companies (Share Capital and Debentures) Rules, 2014, no debenture redemption reserve is required to be created in the case of privately placed debentures issued by the Company which is a NBFC registered with RBI under section 45-IA of the RBI Act, 1934 (as amended).

j) **Net worth** – Rs. 57046.76 Lakhs

k) **Net Profit After Tax** - Rs. 2070.18 Lakhs

l) **Earnings Per Share (of Rs. 10/- each): (i) Basic:** 21.52 Per share
(ii) Diluted: 7.66 per share

m) Copy of the statement, if any, field with the stock Exchange, as per Regulation 52(7) indicating material deviation, if any, in the use of proceeds of issue of NCDs from the object stated in the offer document – **Enclosed**

KOGTA FINANCIAL (I) LTD.

Part II. Information to be submitted to the Debenture Trustee (Regulation 56)

a) A copy of the annual report at the same time as it is issued along with a copy of certificate from the Statutory Auditors in respect of utilization of funds during the implementation period of the project for which the funds have been raised (Provided that in the case of debentures issued for financing working capital or general corporate purposes or for capital raising purposes, the copy of the Statutory Auditor's certificate may be submitted at the end of each financial year till the funds have been fully utilised or the purpose for which these funds were intended, has been achieved – **Annual Report Attached herewith and fund utilization certificate will be provided at the end of financial year.**

b) A copy of all notices, resolutions and circulars relating to-

i). new issue of non-convertible debt securities at the same time as they are sent to shareholders / holders of non-convertible debt securities; - **Already sent resolutions and related documents at the time of each NCD issuance.**

ii). the meetings of holders of non-convertible debt securities at the same time as they are sent to the holders of non-convertible debt securities or advertised in the media including those relating to proceedings of the meetings – **N.A.**

c) Intimations regarding:

i). any revision in the rating; - **Rating Letters Attached**
ii). any default in timely payment of interest or redemption or both in respect of the non-convertible debt securities – **NIL**
iii). failure to create charge on the assets – **NIL**

d) A half yearly certificate regarding maintenance of hundred percent Asset cover in respect of listed non-convertible debt securities, by either a practicing company secretary or a practicing chartered accountant, along with the half yearly financial results. (not applicable for banks, NBFC registered with RBI, Bonds secured by Government Guarantee): **Not Applicable.**

KOGTA FINANCIAL (I) LTD.

Part - III. Information to be submitted to the Debenture holders (Regulation 58)

In terms of the provisions of the Regulation 58, we are sending the following documents and information: -

a) Hard / Soft copies of full annual reports for the Financial Year 2019-2020 to those holders of non-convertible debt securities, who request for the same: **Attached**

b) Half yearly communication as specified in sub-regulation (4) and (5) of regulation 52, to holders of non-convertible debt securities: **Attached**

c) Notice(s) of all meetings of holders of non-convertible debt securities specifically stating that the provisions for appointment of proxy as mentioned in Section 105 of the Companies Act, 2013, shall be applicable for such meeting: **Not Applicable**

d) Proxy forms to holders of non-convertible debt securities which shall be worded in such a manner that holders of these securities may vote either for or against each resolution: **Not Applicable**

Part - IV. Additional Information to be submitted to the Debenture Trustee

a) A Certificate confirming that the properties secured for the Debentures are adequately insured (wherever applicable), and policies are in the joint names of the Trustees: **Not Applicable.**

This is for your information, kindly acknowledge the same.

Thanking you,
Yours faithfully,

For KOGTA FINANCIAL (INDIA) LIMITED

Rahul Agrawal

KOGTA FINANCIAL (I) LTD.

Rahul Agrawal
Company Secretary &
Compliance officer
M. No.: A34034

Encl.: -
Annexure A

Kogta Financial (India) Limited

CIN - U67120RJ1996PLC011406

S-1, Gopalbari, Near Ajmer Pulia, Opp. Metro Pillar No. 143, Jaipur-302001, Rajasthan, India | Tel No. : +91-141-6767000

Registered Office : Kogta House, Azad Mohalla, Bijainagar - 305624, Rajasthan, India | Email : info@kogta.in | **www.kogta.in**

Kogta FINANCIAL
FREEDOM TO GROW

Annexure - A

Name of Company:Kogta Financial (India) Limited

Half-Yearly Compliance - Listed NCDs - Statement on ISIN, payment on due dates, Credit rating & DRR Requirement

Sr. No.	Consent Letter / Tranche Reference	Consent Letter/ Tranche Date	ISIN	Issue Size (per ISIN) Rs. Crore	Listed/ Unlisted	Secured / Unsecured	Principal payment during current half-year (Amount in Rs.)	Interest payment during current half-year (Amount in Rs.)	Due Dates during current Half-Year	Amount (Rs) paid during current Half-Year	Actual Payment date during current Half-Year	Date of information sharing with Credit Rating Agency (in case of default)	Principal due in the next half-year (Amount in Rs.)	Interest due in the next half-year (Amount in Rs.)	Due Date due in the next half-year	Amount (Rs) due during the next half-year	DRR required to be created (Rs Crore)	DRR Created upto September 30, 2020 (Rs Crore)	Funds invested for debentures maturing this year	Credit Rating Agency & Rating as on September 30, 2020	Change in Credit Rating during Half Year ended September 30, 2020
1	CL/MUM/18-19/DEB/614	07/01/2019	INE192U08036	25	Listed	Unsecured	9256471	671485	17/04/2020	9927956	13/04/2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	[ICRA] AA (CE) (Stable) by ICRA Limited	No
							8458601	564817	17/05/2020	9023418	14/05/2020		N/A	N/A	N/A	N/A					
							8224879	503546	17/06/2020	8728425	12/06/2020		N/A	N/A	N/A	N/A					
							44891538	411783	17/07/2020	45303321	14/07/2020		N/A	N/A	N/A	N/A					
2	CL/MUM/19-20/DEB/827	03-Jan-2020	INE192U07038	27.0	Listed	Secured	7500000	2676871	28/04/2020	10176871	28/04/2020	N/A	7500000	2062258	28/10/2020	9562258	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
							7500000	2346707	28/05/2020	9846707	28/05/2020		7500000	2194323	27/11/2020	9694323					
							7500000	2681951	26/06/2020	10181951	26/06/2020		7500000	1980986	28/12/2020	9480986					
							7500000	2361945	28/07/2020	9861945	28/07/2020		7500000	1841301	28/01/2021	9341301					
							7500000	2361945	28/08/2020	9861945	28/08/2020		7500000	2011463	26/02/2021	9511463					
							7500000	2283214	28/09/2020	9783214	28/09/2020		7500000	1635584	26/03/2021	9135584					
3	CL/MUM/20-21/DEB/34	22-May-2020	INE192U07046	10.0	Listed	Secured	-	-	-	-	-	N/A	-	883562	01/10/2020	883562	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
							-	-	-	-	-		-	913014	01/11/2020	913014					
							-	-	-	-	-		-	883562	01/12/2020	883562					
							-	883562	01/07/2020	883562	01/07/2020		-	913014	01/01/2021	913014					
							-	913014	01/08/2020	913014	31/07/2020		-	913014	01/02/2021	913014					
							-	913014	01/09/2020	913014	01/09/2020		-	824658	01/03/2021	824658					
4	CL/MUM/20-21/DEB/175	06-Jul-2020	INE192U07061	50.0	Listed	Secured	N/A	N/A	N/A	N/A	N/A	N/A	-	13232877	21/10/2020	13232877	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
							N/A	N/A	N/A	N/A	N/A		-	13232877	21/01/2021	13232877					
5	CL/MUM/20-21/DEB/195	13-Jul-2020	INE192U07053	15.0	Listed	Secured	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
6	CL/MUM/20-21/DEB/274	12-Aug-2020	INE192U07079	25.0	Listed	Secured	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
7	CL/MUM/20-21/DEB/303	26-Aug-2020	INE192U07087	30	Listed	Secured	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
8	CL/MUM/20-21/DEB/390	28-Sep-2020	INE192U07095	25	Listed	Secured	N/A	N/A	N/A	N/A	N/A	N/A	10417500	2250000	30/10/2020	12667500	N/A	N/A	N/A	CARE A-; Stable [Single A Minus; Outlook: Stable] by CARE Ratings Limited	No
							N/A	N/A	N/A	N/A	N/A		10417500	2227500	30/11/2020	12645000	N/A	N/A	N/A		
							N/A	N/A	N/A	N/A	N/A		10417500	2062500	30/12/2020	12480000	N/A	N/A	N/A		
							N/A	N/A	N/A	N/A	N/A		10417500	2035000	30/01/2021	12452500	N/A	N/A	N/A		
							N/A	N/A	N/A	N/A	N/A		10417500	1812500	28/02/2021	12230000	N/A	N/A	N/A		
							N/A	N/A	N/A	N/A	N/A		10417500	1780000	30/03/2020	12197500	N/A	N/A	N/A		

KOGTA FINANCIAL (I) LTD.

Ref: KFL/BSE/2020-21/78

November 11, 2020

To,
The Manager,
Department of Corporate Services,
BSE Limited, 25th Floor,
P.J. Towers, Dalal Street,
Fort, Mumbai-400 001

ISIN: INE192U07038	**Scrip Code: 959221**
ISIN: INE192U07046	**Scrip Code: 959523**
ISIN: INE192U07061	**Scrip Code: 959765**
ISIN: INE192U07053	**Scrip Code: 959793**
ISIN: INE192U07079	**Scrip Code: 959938**
ISIN: INE192U07087	**Scrip Code: 959977**
ISIN: INE192U07095	**Scrip Code: 960094**

Respected Sir/Ma'am,

Sub: Submission of statement under Regulation 52(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is to inform you that the proceeds of the issue of Non-Convertible Debentures (NCDs) as on half year ended September 30, 2020, has been utilized for the purpose/objects as mentioned in the offer document/ Disclosure Documents and there are no material deviations in the utilizations of such proceeds.

We request you to kindly take on record the aforesaid information.

Also, kindly acknowledge the same.

Thanking you,
Yours faithfully,

For Kogta Financial (India) Limited

KOGTA FINANCIAL (I) LTD.

Rahul Agrawal
Company Secretary
& Compliance Officer
M. No.: A34034

CARE Ratings
Professional Risk Opinion

CARE/JRO/RL/2020-21/1128

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

May 28, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.10.00 crore of your company. The proposed NCDs would have tenure of 36 months with bullet repayment at the end of 36th months.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture issue	10.00 (Rs. Ten Crore only)	**CARE A-; Stable (Single A Minus; Outlook Stable)**	**Assigned**

3. Please refer **Annexure 1** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is May 28, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of	Details of top 10 investors

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings Ltd.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
Tel.: +91-22- 6754 3456 ● Fax: +91-22- 022 6754 3457
Email: care@careratings.com ● www.careratings.com
CIN-L67190MH1993PLC071691

301 & 304, Pashupati Akshat Heights, Plot No. D-91
Madho Singh Road, Near Collectorate Circle
Bani Park, Jaipur - 302 016
Tel: +91-141-4020213 / 14

		cr)					**Debenture Trustee**	

7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by May 29, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Anurag Jain]
Manager
anurag.jain@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
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.

Annexure I

Terms of the rated proposed NCD

Particulars	Key Indicative terms of the issue
Type of Instrument	Rated, Listed, Secured, Redeemable Non-Convertible Debentures (NCDs)
Issue Size	Rs.10.00 crore
Nature of Instrument	Secured
Coupon Payment Frequency	Monthly
Tenor	36 months
Utilization of the proceeds	The Issue proceeds will be utilized for onward lending to retails customers in the products offered by the company.
Listing	Debentures are to be listed on the WDM of the BSE within a maximum period of 30 calendar days from the Deemed Date of Allotment.

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Annexure II

Press Release

Kogta Financial (India) Limited

Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term bank facilities	400	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Total Facilities	**400 (Rupees Four Hundred crore only)**		
Proposed Non-Convertible Debenture	10.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**
Total Instruments	**10.00 (Rupees Ten crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the instruments/bank facilities of Kogta Financial (India) Ltd (KFL) continues to derive strength from long experience of the promoters and KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification in FY19 (refers to the period April 1 to March 31) and FY20. The rating also factors KFL's ability to raise funds from PE investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities for a period of 3 months from its lenders.

Rating Sensitivity

Positive Factor

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

Negative Factor

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid 19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 6% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) is looking after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) is looking after Finance, IT and HR functions. Both of them are also involved in strategic decision making. Further, the addition of new PE fund has also benefited KFL in the form of experienced nominee directors of PE fund joining the Board of Directors.

Comfortable capital structure on account of regular fund infusion: Over the period of last three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's net worth to Rs.533.25 crore as on December 31, 2019 and is envisaged to stand at around Rs.557.40 crore by March, 2020. Overall gearing of the company has improved to 1.29 times as on December 31, 2019 (1.79 times as on March 31, 2019) from 4.62 times as on March 31, 2018. Further, overall CAR has improved to 58.65% as on March 31, 2020 (Provisional) *(39.23% as on March 31, 2019)* from 20.65% as on March 31, 2018.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34229 as on March 31, 2020 *(23702 as on March 31, 2019)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 1619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.79% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles, equipment's and property mortgage. However, short term personal loans are unsecured in nature which stood at around 0.21% of total AUM as on March 31, 2020 (Provisional). KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement in FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines. With focus on priority sector lending, KFL has presence in niche segment.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. KFL has an established monitoring structure for overseeing its operations including area-wise, product-wise and sales executive-wise. It has defined credit appraisal, collection and monitoring systems including profile of clients, ticket size, KYC, etc. It has implemented specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.548.35 crore as on March 31, 2019 (as per I-GAAP) to Rs.920.12 crore as on December 31, 2019 (as per IND-AS). KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.960.97 crore as on December 31, 2019 mainly due to higher disbursement. KFL reported growth of 64% in its total income to Rs.105.31 crore in FY19 compared to Rs.64.20 crore in FY18 upon considerable growth in its AUM. KFL posted total income to Rs. 120.57 crore in 9MFY20 upon growth in its AUM. KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2 Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12%.

Moderately diversified product portfolio: The loan portfolio is diversified with CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020 (Provisional)), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 57% in FY19 over FY18 and growth of 35% in 9MFY20 over FY19. Since a large proportion of its loan book was recently built, the seasoning for which is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor range anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat comprising 39.18%, 20.67% and 21.32% of AUM *(43%, 23% and 22% as on March 31, 2019)* as on March 31, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised of 7.41% and 3.18% of its AUM as on March 31, 2020, (5.68% and 1.45% as on March 31, 2019). Further in FY19 and FY20, company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised of 8.26% *(Rs.88.58 crore)* of AUM as on March 31, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 from 10.26% in FY18 mainly on account of increase in interest income from deposits. However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets.

KFL's delinquencies in harder bucket (more than 90 days) for AUM remained at 2.62% as on March 31, 2019 as compared with 3.27% as on March 31, 2018. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.39% (NPA recognition for dues more than 90 days) and 2.93% respectively as on March 31, 2019, while Net NPA stood at 3.66% as on September 30, 2019. Loan loss provisions to Average total asset stood at around 1.33% during FY19 as compared with 1.47% during FY18.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs *is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.*

Liquidity: Adequate

Liquidity position of KFL as on March 31, 2020 has been adequate with working capital limit utilization remaining at 33.13% for 12 months ending April, 2020. KFL has comfortable ALM with no cumulative mismatch in any of the time bucket up-to 3 years as on March 31, 2020 (Provisional). Further, the company has raised equity of Rs.301.00 crore in October 2019 which has provided additional liquidity cushion. KFL has disbursed around Rs.60 crore per month during FY20. KFL has also raised funds through NCD issues, Covered bonds, securitization and direct assignment during FY20.

KFL had free cash and bank balance and liquid investments of Rs.20.70 crore and unutilized working capital limits of Rs.104.81 crore (including Overdraft against Fixed deposits) as on April 01, 2020 against the debt repayment obligation of Rs.162.23 crore during H1FY21. Further KFL has liquidity of Rs.83.59 crore (Including free cash and bank balance, current investments and unutilized working capital limits) as on May 01, 2020. KFL has achieved collection efficiency of around 18% in April, 2020 due to impact of Covid-19; and as articulated by the company management it is envisaged to improve going forward. KFL has sought moratorium from its bankers and financial institutions under the RBI's COVID 19 package and has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Non-banking Financial Companies

Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture based vehicles, etc. apart from financing of loan against property and personal loans.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	64.20	105.31
PAT	8.33	11.25
Interest coverage (times)	1.41	1.39
Total Assets	392.68	667.16
Net NPA (%)	2.71	2.93
ROTA (%)	2.62	2.12

A: Audited;

As per provisional results (based on IND-AS), KFL has earned a PAT of Rs.14.11 crore on a total operating income (TOI) of Rs.120.57 crore during 9MFY20 on O/s AUM of Rs.960.97 crore as on December 31, 2019.

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

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

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Tel: +91-141-4020213 / 14

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	100.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	-	Feb-2024	300.00	CARE A-; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	10.00	CARE A-; 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-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	300.00	CARE A-; Stable	-	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	40.00	CARE A-; Stable	-	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	-	-

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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
						(14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)		
6.	Debentures-Non Convertible Debentures	LT	27.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	-	-	-	-

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

Instruments	Detailed explanation
1. Financial covenants	1. The capital adequacy ratio (as defined in RBI NBFC Regulations) shall be equal to 17% or above at all points in time. 2. The cumulative Asset – Liability Mismatch should always be positive to the extent of 10% or more in all the buckets up to 3 years. (**) 3. Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio shall be 6% or lower. "Gross Loan Portfolio" shall include on balance sheet and off balance sheet portfolio *** - Not more than 50% of the CC / OD / Working capital borrowings that are captured in the less than 1 year bucket will be assumed to be renewed for the purpose of this cumulative ALM mismatch covenant*
2. Non-Financial Covenant	1. In the event the Credit Rating of the Issuer is downgraded, the Coupon shall be increased by 0.50% for every notch of rating downgrade till BBB-. The step up coupon is applicable from the date of such downgrade until such event is cured, on the outstanding principal amount and accrued interest, if any, of the Debentures. For the purpose of this clause, if the Issuer is rated by more than one rating agency, then the lowest of the ratings shall be considered. 2. Investor reserves the right to recall the facility should there be any deterioration in the credit ratings of the company by two or more notches.

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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Tel: +91-141-4020213 / 14

Contact us

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Analyst Contact

Anurag Jain
Contact no: 0141 – 4020213/214
Email ID - anurag.jain@careratings.com

Relationship Contact

Name: Nikhil Soni
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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE/JRO/RL/2020-21/1220

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

July 10, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.15.00 crore of your company. The proposed NCDs would have tenure of 18 months with bullet repayment at the end of 18 months.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture issue	15.00 (Rs. Fifteen crore only)	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**

3. Please refer **Annexure I** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is July 10, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings Ltd.

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Madho Singh Road, Near Collectorate Circle
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7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure II. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 13, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

    If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

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Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Anurag Jain]
Manager
anurag.jain@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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.

Annexure I

Terms of the rated proposed NCD

Particulars	**Key Indicative terms of the issue**
Type of Instrument	Secured Rated Redeemable Listed Non-Convertible Debentures (NCDs/Debentures)
Issue Size	Rs.15.00 crore
Nature of Instrument	Secured
Coupon Rate	10.00%
Coupon Payment Frequency	Annually
Tenor	18 months
Purpose	The Issue proceeds will utilize to meet funding requirements of the Issuer for on-lending purposes and for general business purposes.
Listing	The issue to be listed on the Wholesale Debt Market Segment of BSE

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Annexure II

Press Release

Kogta Financial (India) Limited

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term bank facilities	400	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Total Facilities	**400 (Rupees Four Hundred crore only)**		
Non-Convertible Debenture (Secured NCD)	19.03	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Non-Convertible Debenture (Secured NCD)	19.03	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Non-Convertible Debenture (Unsecured NCD)	15.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Non-Convertible Debenture (Secured NCD)	25.50	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Proposed Non-Convertible Debenture	15.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**
Total Instruments	**93.56 (Rupees Ninety three crore and Fifty Six lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the instruments and bank facilities of Kogta Financial (India) Ltd (KFL) continues to derive strength from long experience of its promoters and that of KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification during the past two years-ended FY20 (refers to the period April 1 to March 31). The rating also factors KFL's ability to raise funds from Private Equity (PE) investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment along with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities from its lenders.

Rating Sensitivity

Positive Factor

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

Negative Factor

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid 19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 6% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. Further, the addition of new PE investors has also benefited KFL in the form of experienced nominee directors of the PE fund joining its Board of Directors.

Comfortable capital structure on account of regular fund infusion: Over the period of three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Mr. Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's tangible net worth to Rs.218.19 crore (as per IND-AS) as on March 31, 2019 which further increased to Rs.542.63 crore as on March 31, 2020 (as per IND-AS). Overall gearing of the company has improved to 1.25 times as on March 31, 2020 from 2.41 times as on March 31, 2019 *(as per IND-AS) [Overall gearing as per IGAAP: 1.49 times]* as per its abridged published financials for FY20 on BSE. Further, overall CAR has improved to 58.80% as on March 31, 2020 as compared to 39.23% as on March 31, 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34,101 as on March 31, 2020 *(23,702 as on March 31, 2019)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 1,619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.80% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles *(CVs, Four Wheelers, Two Wheeler, Tractors, equipment and property mortgage)*. However, short term personal loans are unsecured in nature which stood at around 0.20% of total AUM as on March 31, 2020. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement in FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. KFL has an established monitoring structure for overseeing its operations including area-wise, product-wise and sales executive-wise details.

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It has defined credit appraisal, collection and monitoring systems including profile of clients, ticket size, KYC, etc. It has implemented specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.671.62 crore as on March 31, 2019 (Rs.548.35 crore as per I-GAAP) to Rs.997.43 crore as on March 31, 2020 (as per IND-AS). KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.1071.58 crore as on March 31, 2020, mainly due to increase in disbursement of around 33.39% during FY20 over FY19. KFL reported growth of 54.70% in its total income to Rs.169.38 crore in FY20 compared with Rs.109.49 crore in FY19 upon considerable growth in its AUM.

KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2 Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12% in FY20.

Moderately diversified product portfolio: The loan portfolio is well diversified with products having CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 50% in FY20 over FY19. Since a large proportion of its loan book was recently built, the seasoning for which is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor range anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat which comprised 39%, 21% and 21% of its AUM *(43%, 23% and 22% as on March 31, 2019)* as on March 31, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised 7% and 3% of its AUM as on March 31, 2020, (6% and 1% as on March 31, 2019). Further, in FY19 and FY20, the company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised 9% of its AUM as on March 31, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 *(as per I-GAAP)* from 10.26% in FY18 *(as per I-GAAP)* mainly on account of increase in interest income from deposits, further NIM stood at 9.11% in FY20 (as per IND-AS). However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets. Further, ROTA stood at 2.48% for FY20 (as per IND-AS).

KFL's delinquencies in harder bucket (more than 90 days) AUM remained at 3.05% as on March 31, 2020 as compared with 2.62% as on March 31, 2019. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.23% (NPA recognition for dues more than 90 days) and 2.59% respectively as on March 31, 2020 as compared with 3.39% and 2.93% as on March 31, 2019. Loan loss provisions to Average total asset stood at around 0.81% during FY20 as compared with 1.33% during FY19.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.

Liquidity: Adequate

Liquidity position of KFL as on March 31, 2020 has been adequate along with working capital limit utilization remaining at 33.13% for 12 months ending April, 2020. KFL has comfortable ALM with no cumulative mismatch in any of the time bucket up-to 3 years as on March 31, 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 and liquid investments of Rs.10.10 crore and unutilized working capital limits of Rs.118.16 crore (including Overdraft against Fixed deposits) as on June 27, 2020 against its debt repayment obligation of Rs.83.78 crore in Q2FY21. KFL's collection efficiency stood at around 18% & 31% *(due to impact of Covid-19)* in April, 2020 and May 2020 respectively; however it is envisaged to improve to around 70% in June 2020. KFL has raised debt of around Rs.57.50 crore in last two months ended June, 2020. KFL has availed moratorium till May 2020 from its bankers and financial institutions under the RBI's COVID 19 relief package. KFL has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Non-banking Financial Companies
Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture based vehicles, etc. apart from financing of loan against property and personal loans. The company has adopted the IND As notified under section 133 of the Companies Act 2013 read with the Companies Rule 2015 from April 01, 2019 and effective date of transition is April 01, 2018.

Brief Financials (Rs. crore)	FY19 (A)	FY19 (Abridged)	FY20 (Abridged)
Accounting policy followed	**I-GAAP**	**Ind-As**	**Ind-As**
Total operating income	105.31	109.49	169.38
PAT	11.25	8.30	24.94
Interest coverage (times)	1.39	1.28	1.54
Total Assets	667.16	752.23	1250.26
Net NPA (%)	2.93	NA	2.59
ROTA (%)	2.12	NA	2.48

A: Audited; NA: Not Available

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

Status of non-cooperation with previous CRA: None
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	100.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	-	Feb-2024	300.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U07020	June, 2017	12.23%	June 2020	19.03	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U08044	August, 2019	15.90%	April, 2022	15.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U07038	January, 2020	12.36%	Jan, 2023	25.50	CARE A-; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	15.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U07012	April, 2017	12.23%	April 2020	19.03	CARE A-; 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 (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)

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
3.	Fund-based - LT-Term Loan	LT	300.00	CARE A-; Stable	1)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	19.03	CARE A-; Stable	-	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 (14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)	-	-
6.	Debentures-Non Convertible Debentures	LT	25.50	CARE A-; Stable	-	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20) 2)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Proposed Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20)	-	-	-
9.	Proposed Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	-	-	-	-
10.	Debentures-Non Convertible Debentures	LT	19.03	CARE A-; Stable	-	-	-	-

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

Instruments	Detailed explanation
1. Financial covenants	1. The capital adequacy ratio (as defined in RBI NBFC Regulations) shall be equal to 17% or above at all points in time. 2. The cumulative Asset – Liability Mismatch should always be positive to the extent of 10% or more in all the buckets up to 3

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Instruments	Detailed explanation
	years. (**) 3. Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio shall be 6% or lower. "Gross Loan Portfolio" shall include on balance sheet and off balance sheet portfolio *** - Not more than 50% of the CC / OD / Working capital borrowings that are captured in the less than 1 year bucket will be assumed to be renewed for the purpose of this cumulative ALM mismatch covenant*
2. Non-Financial Covenant	1. In the event the Credit Rating of the Issuer is downgraded, the Coupon shall be increased by 0.50% for every notch of rating downgrade till BBB-. The step up coupon is applicable from the date of such downgrade until such event is cured, on the outstanding principal amount and accrued interest, if any, of the Debentures. For the purpose of this clause, if the Issuer is rated by more than one rating agency, then the lowest of the ratings shall be considered.

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE/JRO/RL/2020-21/1212

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

July 01, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.50.00 crore of your company. The proposed NCDs would have tenure in such a manner that redemption will be in April, 2023 with bullet repayment at maturity.

2. The following ratings have been assigned by our Rating Committee:

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	50.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**
Total Instruments	**50.00 (Rupees Fifty crore only)**		

3. Please refer **Annexure I** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is July 01, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture	Details of top 10 investors

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings Ltd.

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Madho Singh Road, Near Collectorate Circle
Bani Park, Jaipur - 302 016
Tel: +91-141-4020213 / 14

							Trustee	

7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure II. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 03, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

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If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Anurag Jain]
Manager
anurag.jain@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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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Annexure I

Terms of the rated proposed NCD

Particulars	Key Indicative terms of the issue
Type of Instrument	Rated, Listed, Secured, Redeemable, Non-Convertible Debentures
Issue Size	Rs.50.00 crore
Nature of Instrument	Secured (asset cover of 1.25 times)
Coupon Rate	10.50%
Coupon Payment Frequency	Quarterly
Tenor	Bullet Repayment at the maturity (in such a manner that redemption date will be on 21stApril, 2023)
Purpose	Utilized for onward lending to retail customers in the product offered by the company
Listing	The issue to be listed on the Wholesale Debt Market Segment of BSE

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Annexure II
Kogta Financial (India) Limited

July 01, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	50.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**
Non-Convertible Debenture	10.00	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Total Instruments	**60.00 (Rupees Sixty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the instrument of Kogta Financial (India) Ltd (KFL) continues to derive strength from long experience of its promoters and that of KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification during the past two years-ended FY20 (refers to the period April 1 to March 31). The rating also factors KFL's ability to raise funds from Private Equity (PE) investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment along with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities from its lenders.

Rating Sensitivities

Positive Factors

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

Negative Factors

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid 19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 6% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. Further, the addition of

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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new PE investors has also benefited KFL in the form of experienced nominee directors of the PE fund joining its Board of Directors.

Comfortable capital structure on account of regular fund infusion: Over the period of three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Mr. Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's tangible net worth to Rs.218.19 crore (as per IND-AS) as on March 31, 2019 which further increased to Rs.542.63 crore as on March 31, 2020 (as per IND-AS). Overall gearing of the company has improved to 1.25 times as on March 31, 2020 from 2.41 times as on March 31, 2019 *(as per IND-AS) [Overall gearing as per IGAAP: 1.49 times]* as per its abridged published financials for FY20 on BSE. Further, overall CAR has improved to 58.80% as on March 31, 2020 as compared to 39.23% as on March 31, 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34,101 as on March 31, 2020 *(23,702 as on March 31, 2019)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 1,619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.80% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles *(CVs, Four Wheelers, Two Wheeler, Tractors, equipment and property mortgage)*. However, short term personal loans are unsecured in nature which stood at around 0.20% of total AUM as on March 31, 2020. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement in FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. 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 specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.671.62 crore as on March 31, 2019 (Rs.548.35 crore as per I-GAAP) to Rs.997.43 crore as on March 31, 2020 (as per IND-AS). KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.1071.58 crore as on March 31, 2020, mainly due to increase in disbursement of around 33.39% during FY20 over FY19. KFL reported growth of 54.70% in its total income to Rs.169.38 crore in FY20 compared with Rs.109.49 crore in FY19 upon considerable growth in its AUM.

KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2 Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12% in FY20.

Moderately diversified product portfolio: The loan portfolio is well diversified with products having CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 50% in FY20 over FY19. Since a large proportion of its loan book was recently built, the seasoning for which is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor range anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat which comprised 39%, 21% and 21% of its AUM *(43%, 23% and 22% as on March 31, 2019)* as on March 31, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised 7% and 3% of its AUM as on March 31, 2020, (6% and 1% as on March 31, 2019). Further in FY19 and FY20, company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised 9% of its AUM as on March 31, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 *(as per I-GAAP)* from 10.26% in FY18 *(as per I-GAAP)* mainly on account of increase in interest income from deposits, further NIM stood at 9.11% in FY20 (as per IND-AS). However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets. Further, ROTA stood at 2.48% for FY20 (as per IND-AS).

KFL's delinquencies in harder bucket (more than 90 days) AUM remained at 3.05% as on March 31, 2020 as compared with 2.62% as on March 31, 2019. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.23% (NPA recognition for dues more than 90 days) and 2.59% respectively as on March 31, 2020 as compared with 3.39% and 2.93% as on March 31, 2019. Loan loss provisions to Average total asset stood at around 0.81% during FY20 as compared with 1.33% during FY19.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.

Liquidity: Adequate

Liquidity position of KFL as on March 31, 2020 has been adequate with working capital limit utilization remaining at 33.13% for 12 months ending April, 2020. KFL has comfortable ALM with no cumulative mismatch in any of the time bucket up-to 3 years as on March 31, 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 and liquid investments of Rs.10.10 crore and unutilized working capital limits of Rs.118.16 crore (including Overdraft against Fixed deposits) as on June 27, 2020 against its debt repayment obligation of Rs.83.78 crore in Q2FY21. KFL's collection efficiency stood at around 18% & 31% *(due to impact of Covid-19)* in April, 2020 and May 2020 respectively; however it is envisaged to improve to around 70% in June 2020. KFL has raised debt of around Rs.57.50 crore in last two months ended June, 2020. KFL has sought moratorium from its bankers and financial institutions under the RBI's COVID 19 package till May 2020, KFIL has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Non-banking Financial Companies
Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture based vehicles, etc. apart from financing of loan against property and personal loans. The company has adopted the IND As notified under section 133 of the Companies Act 2013 read with the Companies Rule 2015 from April 01, 2019 and effective date of transition is April 01, 2018.

Brief Financials (Rs. crore)	FY19 (A)	FY19 (Abridged)	FY20 (Abridged)
Accounting policy followed	**I-GAAP**	**Ind-As**	**Ind-As**
Total operating income	105.31	109.49	169.38
PAT	11.25	8.30	24.94
Interest coverage (times)	1.39	1.28	1.54
Total Assets	667.16	752.23	1250.26
Net NPA (%)	2.93	NA	2.59
ROTA (%)	2.12	NA	2.48

A: Audited; NA: Not Available

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

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

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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
Debentures-Non Convertible Debentures	INE192U07046	May 29, 2020	10.75%	June, 2023	10.00	CARE A-; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	50.00	CARE A-; 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 (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	300.00	CARE A-; Stable	1)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	40.00	CARE A-; Stable	-	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 (14-Nov-19)	-	-

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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
						2)CARE BBB+; Stable (25-Jul-19)		
6.	Debentures-Non Convertible Debentures	LT	27.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	-	-	-

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

Instruments	Detailed explanation
A. Financial covenants	1. The capital adequacy ratio (as defined in RBI NBFC Regulations) shall be equal to 17% or above at all points in time. 2. The cumulative Asset – Liability Mismatch should always be positive to the extent of 10% or more in all the buckets up to 3 years. (**) 3. Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio shall be 6% or lower. "Gross Loan Portfolio" shall include on balance sheet and off balance sheet portfolio *** - Not more than 50% of the CC / OD / Working capital borrowings that are captured in the less than 1 year bucket will be assumed to be renewed for the purpose of this cumulative ALM mismatch covenant*
B. Non-Financial Covenant	1. In the event the Credit Rating of the Issuer is downgraded, the Coupon shall be increased by 0.50% for every notch of rating downgrade till BBB. The step up coupon is applicable from the date of such downgrade until such event is cured, on the outstanding principal amount and accrued interest, if any, of the Debentures. For the purpose of this clause, if the Issuer is rated by more than one rating agency, then the lowest of the ratings shall be considered. 2. Investor reserves the right to recall the facility should there be any deterioration in the credit ratings of the company by two or more notches.

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Ref: ICRA/SFR/AHM/19-20/3962 **September 16, 2019**

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M.I. Road,
Jaipur - 302001, Rajasthan

Dear Sii

Re: ICR redit Rating for Rs. 15.69 crore Non-Convertible Debentures (NCDs) issued by Kogta Financial India Limited under the transaction name Northern Arc 2019 CoBon Wayne

Please refer to the Rating Agreements dated January 02, 2019 for carrying out the rating of the aforesaid NCD programme. ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant. Please note that the Rating Committee of ICRA, after due consideration of the performance of the underlying pool and the latest development in your company, has upgraded the ratings for the captioned NCD programme as follows:

Description	Initial Amount (Rs. In Cr)	Amount Outstanding (Rs. in cr)	Rating Action	Definition
NCD	25.00	15.69	Ratings Upgraded to [ICRA]AA(CE)(Stable) from [ICRA] AA-(SO) (Stable).	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA(SO) to C(SO). The modifiers reflect the comparative standing within the category.

In line with the SEBI circular dated June 13, 2019, ICRA shall use the suffix 'CE' (Credit Enhancement) alongside the rating symbol for denoting the rating of instruments backed by explicit credit enhancement, in place of the earlier practice of using the suffix 'SO' ("Structured Obligation") or the suffix 'S'.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as [ICRA]AA(CE)(stable). This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/ or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you. The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instruments issued by you.

ICRA

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme. This is in line with requirements as prescribed in circular dated June 30, 2017 on 'Monitoring and Review of Ratings by Credit Rating Agencies(CRAs)' issued by the Securities and Exchange Board of India

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

Abhishek Dafria
Vice President
abhishek.dafria@icraindia.com

Sachin Joglekar
Assistant Vice President
sachin.joglekar@icraindia.com

CARE Ratings
Professional Risk Opinion

CARE/JRO/RL/2019-20/1777

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

January 03, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.27.00 Crore of your company. The proposed NCDs would have tenure of 36 months with monthly repayment of interest and principal.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture issue	27.00 (Rs. Twenty Seven Crore only)	CARE A-; Stable (Single A minus; Outlook Stable)	Assigned

2. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is January 03, 2020).

3. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

4. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

5. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

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CIN-L67190MH1993PLC071691

6. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 06, 2020, we will proceed on the basis that you have no any comments to offer.
7. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
8. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
9. 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.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are not recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

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Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
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Manager
anurag.jain@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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.

Annexure 2
Press Release
Kogta Financial (India) Limited

January 06, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture (Secured NCD)	27.00	CARE A-; Stable [Single A Minus; Outlook: Stable]	Assigned
Total Instruments	**27.00 (Rupees Twenty Seven crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the above proposed NCD issue of Kogta Financial (India) Ltd (KFL) continues to derive strength from long experience of the promoters and KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification in FY19 (refers to the period April 1 to March 31) and H1FY20. The rating also factors KFL's ability to raise funds from PE investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment with moderate seasoning of loan portfolio and its moderate asset quality.

Rating Sensitivity

Positive Factor

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

Negative Factor

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Deterioration in asset quality – Gross NPA more than 6%
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) is looking after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) is looking after Finance, IT and HR functions. Both of them are also involved in strategic decision making. Further, the addition of new PE fund has also benefited KFL in the form of experienced nominee directors of PE fund joining the Board of Directors.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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Comfortable capital structure on account of regular fund infusion: Over the period of last three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's net worth to Rs.228.70 crore as on March 31, 2019 and is envisaged to stand at around Rs.562 crore by March, 2020. Overall gearing of the company has improved to 1.79 times as on March 31, 2019 from 4.62 times as on March 31, 2018. Further, overall CAR has improved to 39.23% as on March 31, 2019 from 20.65% as on March 31, 2018. Overall CAR stood at 34.90% as on June 30, 2019, however the same has improved after fund infusion in October 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 27,308 as on June 30, 2019 *(19,332 as on September 30, 2018)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 950 as on March 31, 2019 *(825 as on September 30, 2018)* including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.47% (% of total AUM *(own book + securitized)* as on March 31, 2019) which is secured against the vehicles, equipment's and property mortgage. However, short term personal loans are unsecured in nature which stood at around 0.53% (P.Y.:2.25%) of total AUM as on March 31, 2019. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 53%, 8% and 8% respectively of total disbursement in FY19. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines. With focus on priority sector lending, KFL has presence in niche segment.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. KFL has an established monitoring structure for overseeing its operations including area-wise, product-wise and sales executive-wise. It has defined credit appraisal, collection and monitoring systems including profile of clients, ticket size, KYC, etc. It has implemented specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased by around 57% to Rs.548.35 crore as on March 31, 2019 compared to Rs.348.94 crore as on March 31, 2018, further it stood at Rs.615.29 crore as on June 30, 2019. KFL's total outstanding AUM (including securitized portfolio) increased by around 66% from Rs.428.51

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crore as on March 31, 2018 to Rs.711.24 crore as on March 31, 2019 and Rs.770.45 crore as on June 30 2019. Further, KFL reported growth of 64% in its total income to Rs.105.31 crore in FY19 compared to Rs.64.20 crore in FY18 upon considerable growth in its AUM. Further, KFL has presence in 8 states (Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Delhi NCR, Haryana, Uttar Pradesh and Punjab) with 96 branches as on June 30, 2019. KFL has gradually increased its resource base; and as on September 30, 2019 KFL had 11 Banks (including 3 SFBs) and 22 Financial Institutions (3 Debt Funds & 19 NBFCs) on board. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12%. Apart from accessing bank facilities; it has raised funds to the tune of Rs.15 crore by issuing NCDs to Northern Arc Investment Managers Private Limited in H1FY20. Further, KFL has engaged with various lenders for raising money to the tune of around Rs.300 crore during H2FY20.

Moderately diversified product portfolio: The loan portfolio is diversified with CV (comprising 54% of total O/s portfolio *(AUM)* as on March 31, 2019), MUV (8.85%), Car loans (15.78%), LAP (10.42%), Tractor & Industrial Machinery, Tool & Equipment (9.68%) and short term personal loans (0.25%). The company also finances two wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's own book loan portfolio has grown by around 57% in FY19 over FY18. Since a large proportion of its loan book was recently built, the seasoning for which is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor range anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers. As on June 30, 2019, proportion of O/s loan portfolio that has been funded during last 6 months stood at around 42% depicting moderate seasoning of loan portfolio.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat comprising 43%, 23% and 22% of AUM *(43%, 23% and 22% as on March 31, 2019)* as on June 30, 2019 respectively as against 49%, 19% and 30% respectively as on March 31, 2018. KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised of 5.81% and 1.67% of its AUM as on June 30, 2019 (5.68% and 1.45% as on March 30, 2019) as against 2.93% and 0.10% as on March 31, 2018. Further in FY19 and Q1FY20, company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised of 5.83% *(Rs.44.89 crore)* of AUM as on June 30, 2019. KFL has expanded its operation by opening new branches during FY19 and Q1FY20; this led to further granular distribution of portfolio across 96 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 from 10.26% in FY18 mainly on account of increase in interest income from deposits. However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared to 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets.

KFL's delinquencies in harder bucket (more than 90 days) for AUM remained at 2.62% as on March 31, 2019 as compared to 3.27% as on March 31, 2018. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.39% (NPA recognition for dues more than 90 days) and 2.93% respectively as on March 31, 2019, while it stood at 4.46% and 3.88% as on June 30, 2019. Loan loss provisions to Average total asset stood at around 1.33% during FY19 as compared to 1.47% during FY18. KFL has major NPA in the HCV asset class at

AS

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5.69% as on March 31, 2019 which has increased to 8.47% as on June 30, 2019. HCV constituted around 17% of total AUM as on June 30, 2019.

Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90-day NPA recognition norm.

Liquidity: Adequate

Liquidity position of KFL as on March 31, 2019 has been adequate with working capital limit utilization remaining at 43.56% for 12 months ending Aug 2019 (TTM Aug 2018: 37.49%). KFL has comfortable ALM with cumulative mismatch in 6m-1year bucket after considering maturity of Outstanding CC limit as on March 31, 2019 in the 6m-1 year bucket. Further, the company has raised equity of Rs.301.00 crore in October 2019 which has provided additional liquidity cushion. KFL had free cash and bank balance and liquid investments of Rs.63.99 crore as on March 31, 2019 against the debt repayment obligation of Rs.125.44 crore during FY20. KFL has disbursed around Rs.50 crore per month during H1FY20. Further, KFL is expecting disbursement of around Rs.400 crore in next 6 months (H2FY20). KFL has also raised funds through NCD issues and Covered bonds. KFL has raised funds through securitization and direct assignment amounting Rs.158 crore during FY19. Furthermore, KFL has got sanction of Term Loan and Overdraft Limit amounting Rs.292 crore after Sep 2018 from banks, FIs and Small Finance Banks (SFBs) which shows its capability for raising debt even in a tough economic market scenario. Furthermore, KFL has free cash and cash equivalents of Rs.56.00 crore and sanctioned but not availed/unutilized bank lines at Rs.200.00 crore as on December 30, 2019 which underpins its liquidity.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Non-banking Financial Companies
Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture based vehicles, etc. apart from financing of loan against property and personal loans.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	64.20	105.31
PAT	8.33	11.25
Interest coverage (times)	1.41	1.39
Total Assets	392.68	667.16
Net NPA (%)	2.71	2.93
ROTA (%)	2.62	2.12

A: Audited

During H1FY20 *(April 01, 2019 to Sep 30, 2019)* KFL adopted Ind-AS for the first time and published its six- monthly financial results in November 2019, as per which, KFL earned PAT of Rs.4.99 crore on total income of Rs.73.18

crore. Further, its loan portfolio (own book) and AUM stood at Rs.790.81 crore and Rs.840.21 crore respectively as on Sep 30, 2019.

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

Status of non-cooperation with previous CRA: None
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument o	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Proposed Debentures-Non Convertible Debentures	-	12.36%	-	27.00	CARE A-; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	100.00	CARE A-; Stable	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)	1)CARE BBB- (16-Jun-16) 2)CARE BBB- (13-Jun-16)
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)	1)CARE BBB- (13-Jun-16)
3.	Fund-based - LT-Term Loan	LT	300.00	CARE A-; Stable	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)	1)CARE BBB- (16-Jun-16)
4.	Debentures-Non Convertible Debentures	LT	40.00	CARE A-; Stable	1)CARE A-; Stable	1)CARE BBB+;	1)CARE BBB; Stable	-

					(14-Nov-19)	Stable (02-Jan-19)	(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 (14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)	-	-	-
6.	Debentures-Non Convertible Debentures	LT	27.00	CARE A-; Stable	-	-	-	-

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

Instruments	Detailed explanation
Financial covenants	• Capital Adequacy (Tier 1 Capital + Tier 2 Capital) / Risk Weighted Assets) of >17% or as per the regulatory requirement prescribed by Reserve Bank of India, whichever is higher. • The cumulative Asset – Liability Mismatch should always be positive to the extent of 10% or more in all the buckets up to 3 years *(*)*. • Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio shall be 6% or lower. ("Gross Loan Portfolio" shall include on balance sheet and off balance sheet portfolio). ** Not more than 50% of the CC/OD/Working capital borrowings that are captured in the less than 1 year bucket will be assumed to be renewed for the purpose of this cumulative ALM mismatch covenants.*

***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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AJ

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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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CARE Ratings
Professional Risk Opinion

CARE/JRO/RL/2020-21/1319

Shri Mr. Varun Kogta
Director
Kogta Financial (india) Limited
206, Ganpati Plaza, M. I. Road,
Jaipur
Rajasthan 302001

September 28, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term Non-convertible Debenture (NCD) issue aggregating to Rs.25.00 crore of your Company. The proposed NCDs would have tenure of 24 months from deemed date of allotment.

2. The following ratings have been assigned by our Rating Committee:

Instruments	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Proposed Non-Convertible Debenture	25.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**25.00 (Rupees Twenty Five crore only)**		

3. Please refer **Annexure I** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is September 25, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure II**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 29, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Harshraj Sankhla]
Senior Manager
harshraj.sankhla@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
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.

Annexure I

Terms of the rated proposed NCD

Particulars	Key Indicative terms of the issue
Type of Instrument	Secured Senior Rated Listed Redeemable Non-Convertible Debentures (NCDs/ Debentures)
Issue Size	Rs.25.00 crore
Security Cover	1.10x
Coupon Rate	10.95% p.a.
Tenor	24 months, with principal repayment by way of amortizing over monthly redemptions starting from the 1st month from Deemed Date of Allotment
Purpose	The Issue proceeds will be utilized to meet funding requirements of the Issuer for on-lending purposes.
Listing	The issue to be listed on the Wholesale Debt Market Segment of BSE

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Annexure II
Kogta Financial (India) Limited
September 28, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	25.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**25.00 (Rupees Twenty Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the above instrument of Kogta Financial (India) Ltd (KFL) derives strength from long experience of its promoters and that of KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification during the past two years-ended FY20 (refers to the period April 1 to March 31). The rating also factors KFL's ability to raise funds from Private Equity (PE) investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment along with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities from its lenders.

Rating Sensitivities

Positive Factors

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

Negative Factors

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid-19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 5% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. Further, the addition of new PE investors has also benefited KFL in the form of experienced nominee directors of the PE fund joining its Board of Directors.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Comfortable capital structure on account of regular fund infusion: Over the period of three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Mr. Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's tangible net worth to Rs.218.19 crore (as per IND-AS) as on March 31, 2019 which further increased to Rs.542.63 crore as on March 31, 2020 (as per IND-AS). Overall gearing of the company has improved to 1.25 times as on March 31, 2020 from 2.41 times as on March 31, 2019 *(as per IND-AS) [Overall gearing as per IGAAP: 1.49 times]* as per its abridged published financials for FY20 on BSE. Further, overall CAR has improved to 58.80% as on March 31, 2020 as compared with 39.23% as on March 31, 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34,101 as on March 31, 2020 *(23,702 as on March 31, 2019)* leading to substantial repeat business with less effort. KFL's active customers further increased to 37,181 as on July 31, 2020. Also, it has built decent employee strength of 1,619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.80% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles *(CVs, Four Wheelers, Two Wheelers, Tractors, equipment and property mortgage)*. However, short term personal loans are unsecured in nature which stood at around 0.20% of total AUM as on March 31, 2020. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement during FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. 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 specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.671.62 crore as on March 31, 2019 (Rs.548.35 crore as per I-GAAP) to Rs.997.43 crore as on March 31, 2020 (as per IND-AS). KFL's outstanding AUM stood at Rs.1086.08 crore as on June 30, 2020. KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.1071.58 crore as on March 31, 2020, mainly due to increase in disbursement of around 33.39% during FY20 over FY19 KFL reported growth of 54.70% in its total income to Rs.169.38 crore in FY20 compared with Rs.109.49 crore in FY19 upon considerable growth in its AUM. KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2

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Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12% in FY20.

Moderately diversified product portfolio: The loan portfolio is moderately diversified with products having CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two-wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 50% in FY20 over FY19. Since a large proportion of its loan book was recently built, its seasoning is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average of loan tenor ranges anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat which comprised 39%, 21% and 21% of its AUM *(43%, 23% and 22% as on March 31, 2019)* as on June 30, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised 7% and 3% of its AUM as on June 30, 2020, (6% and 1% as on March 31, 2019). Further, in FY19 and FY20, the company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised 9% of its AUM as on June 30, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 *(as per I-GAAP)* from 10.26% in FY18 *(as per I-GAAP)* mainly on account of increase in interest income from deposits, further NIM stood at 9.11% in FY20 (as per IND-AS). However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets. Further, ROTA stood at 2.48% for FY20 (as per IND-AS).

KFL's delinquencies in harder bucket (more than 90 days) AUM remained at 3.05% as on March 31, 2020 as compared with 2.62% as on March 31, 2019, however it improved to 2.55% as on June 30, 2020, and further to 2.19% as on July 31, 2020. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.23% (NPA recognition for dues more than 90 days) and 2.59% respectively as on March 31, 2020 as compared with 3.39% and 2.93% as on March 31, 2019. Loan loss provisions to Average total asset stood at around 0.81% during FY20 as compared with 1.33% during FY19.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs despite impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.

However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.

Liquidity: Adequate

Liquidity of KFL as on March 31, 2020 has been adequate along with working capital limit utilization remaining at 25% for 12 months ending August 31, 2020; further KFL has comfortable ALM with no cumulative mismatch in any of the time buckets up-to 3 years as on June 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.15.10 crore and unutilized working capital limits of Rs.102.68 crore (including Overdraft against Fixed deposits) as on August 31, 2020 against its debt repayment obligation of Rs.71.06 crore in next 3 months (Sep 01, 2020 to Nov 30, 2020) and Rs.136.18 crore in H2FY21. KFL has raised funds of around Rs.177.50 crore in 5MFY21 (Upto August 31, 2020) under the normal sanctions, TLTRO and PCG scheme.

Impact of Covid-19: Operations of KFL had been affected to a certain extent due to COVID-19 pandemic. KFL had almost stopped disbursements and had disbursed only Rs.1.75 crore during April-May 2020*, however from June 2020, disbursements were restarted, KFL has disbursed Rs.*20.93 crore and Rs.45.29 crore in June & July 2020 respectively. Further, monthly collection efficiency *(including monthly demand under moratorium)* which had dipped to 18.33% in April 2020 improved to 68.66% in July 2020, although it again declined to 59.83% in August 2020 due to seasonal impact (monsoon season) along with regional lockdowns imposed from time to time at various locations leading to restriction in movement of its collection teams. Further, while nearly 73% of its AUM as on April 30, 2020 was under moratorium it improved to 39% as on July 31, 2020. KFL had availed moratorium till May 2020 from its bankers and financial institutions under the RBI's COVID 19 relief package. KFL has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings]

[CARE's Policy on Default Recognition]

[Rating Methodology-Non-banking Financial Companies]

[Financial Ratios – Financial Sector]

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture-based vehicles, etc. apart from financing of loan against property and personal loans. The company has adopted the IND-AS notified under section 133 of the Companies Act 2013 read with the Companies Rule 2015 from April 01, 2019 and effective date of transition is April 01, 2018.

Brief Financials (Rs. crore)	FY19 (A)	FY19 (Abridged)	FY20 (Abridged)
Accounting policy followed	**I-GAAP**	**Ind-As**	**Ind-As**
Total operating income	105.31	109.49	169.38
PAT	11.25	8.30	24.94
Interest coverage (times)	1.39	1.28	1.54
Total Assets	667.16	752.23	1250.26
Net NPA (%)	2.93	NA	2.59
ROTA (%)	2.12	NA	2.48

A: Audited; NA: Not Available

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4.*

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Status of non-cooperation with previous CRA: None
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

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
Proposed Debentures-Non Convertible Debentures	-	-	-	-	25.00	CARE A-; 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 (14-Jul-20) 2)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	300.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20) 2)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	19.03	CARE A-; Stable	1)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	LT	15.00	CARE A-;	1)CARE A-;	1)CARE A-;	-	-

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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
	Convertible Debentures			Stable	Stable (14-Jul-20)	Stable (14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)		
6.	Debentures-Non Convertible Debentures	LT	25.50	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20) 2)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20)	-	-	-
9.	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
10.	Debentures-Non Convertible Debentures	LT	19.03	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
11.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (19-Aug-20)	-	-	-
12.	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	1)CARE A-; Stable (31-Aug-20)	-	-	-
13.	Proposed Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Proposed Debentures-Non Convertible Debentures	Simple

Annexure-4: Detailed explanation of covenants of the rated instrument

Instruments	Detailed explanation
A. Financial covenants	1. Total Debt/Equity ratio to be within 4x. 2. Capital Adequacy Ratio of at-least 20% or as per applicable RBI regulation, whichever is higher, of the above CAR, TIER 1 CAR to remain at minimum of 12 % (Twelve Percent). 3. PAR > 90 days not to exceed 5% of total AUM. 4. Write off plus Net NPA to Net-worth to be less than 20%.

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Instruments	Detailed explanation
	5. Company to maintain minimum liquidity amount equivalent to next 2 months liabilities after including Put Options/interest reset on liabilities (assuming 100% haircut in collections) in the form of unencumbered Cash and Cash equivalents. 6. Company to maintain a minimum Net-worth of Rs.500 crore during the tenor of the NCDs 7. Earnings: After-tax Net (excluding extraordinary income) Income to remain positive 8. There shall not be any negative mismatches on cumulative basis in any of the buckets till one year of ALM statement after incorporating all the liabilities of the company including Put Options/interest reset on liabilities. Unutilized bank lines and cash credit limits shall not be taken into account while testing the same.
B. Non-Financial covenants	1. In case of downgrade of any existing rating or assignment of any new rating which is lower than the credit rating of the NCDs/ Issuer i.e. A-, the Coupon Rate for the balance period would increase by 50 bps for each notch downgrade in rating and the same will be with effect from the rating downgrade date. 2. In case, rating from multiple rating agencies is available, the lowest rating available for long term borrowing shall be considered for the purpose of this clause. 3. Unsecured Loans from Promoters/ related parties/ Inter Corporate Deposits shall not be repaid (except by way of equity conversion) in case wherein breach of covenant/s is subsisting.

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE/JRO/RL/2020-21/1289

Mr. Varun Kogta
Director
Kogta Financial (India) Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

August 28, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.30.00 crore of your company. The proposed NCDs would have tenure of 18 months with bullet repayment at maturity.

2. The following ratings have been assigned by our Rating Committee:

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	30.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**30.00 (Rupees Thirty crore only)**		

3. Please refer **Annexure I** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is August 28, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument	ISIN	Issue	Coupon	Coupon	Terms of	Redemption	Name and	Details of

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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Email: care@careratings.com ● www.careratings.com
CIN-L67190MH1993PLC071691

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type		Size (Rs cr)	Rate	Payment Dates	Redemption	date	contact details of Debenture Trustee	top 10 investors

7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure II. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 31, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

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13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Harshraj Sankhla]
Senior Manager
harshraj.sankhla@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
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.

Annexure I

Terms of the rated proposed NCD

Particulars	Key Indicative terms of the issue
Type of Instrument	Rated, Listed, Senior, Secured, Transferable and Redeemable Non-convertible Debentures (NCDs/Debentures)
Issue Size	Rs.30.00 crore
Nature of Instrument	Secured (asset cover of 1.10 times)
Coupon Rate	9.50%
Tenor	18 months, with bullet repayment at maturity
Purpose	The proceeds shall be utilized • General corporate purposes • For the ordinary course of business of the Issuer including repayment/re-financing of existing debt
Listing	The issue to be listed on the Wholesale Debt Market Segment of BSE

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Annexure II

Kogta Financial (India) Limited

August 28, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	30.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**30.00 (Rupees Thirty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the above instrument of Kogta Financial (India) Ltd (KFL) derives strength from long experience of its promoters and that of KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification during the past two years-ended FY20 (refers to the period April 1 to March 31). The rating also factors KFL's ability to raise funds from Private Equity (PE) investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment along with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities from its lenders.

Rating Sensitivities

Positive Factors

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

Negative Factors

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid-19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 6% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. Further, the addition of new PE investors has also benefited KFL in the form of experienced nominee directors of the PE fund joining its Board of Directors.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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Comfortable capital structure on account of regular fund infusion: Over the period of three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Mr. Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's tangible net worth to Rs.218.19 crore (as per IND-AS) as on March 31, 2019 which further increased to Rs.542.63 crore as on March 31, 2020 (as per IND-AS). Overall gearing of the company has improved to 1.25 times as on March 31, 2020 from 2.41 times as on March 31, 2019 *(as per IND-AS) [Overall gearing as per IGAAP: 1.49 times]* as per its abridged published financials for FY20 on BSE. Further, overall CAR has improved to 58.80% as on March 31, 2020 as compared with 39.23% as on March 31, 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34,101 as on March 31, 2020 *(23,702 as on March 31, 2019)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 1,619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.80% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles *(CVs, Four Wheelers, Two Wheelers, Tractors, equipment and property mortgage)*. However, short term personal loans are unsecured in nature which stood at around 0.20% of total AUM as on March 31, 2020. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement during FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. 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 specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.671.62 crore as on March 31, 2019 (Rs.548.35 crore as per I-GAAP) to Rs.997.43 crore as on March 31, 2020 (as per IND-AS). KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.1071.58 crore as on March 31, 2020, mainly due to increase in disbursement of around 33.39% during FY20 over FY19. KFL reported growth of 54.70% in its total income to Rs.169.38 crore in FY20 compared with Rs.109.49 crore in FY19 upon considerable growth in its AUM.

301 & 304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302 016
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KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2 Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12% in FY20.

Moderately diversified product portfolio: The loan portfolio is moderately diversified with products having CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two-wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 50% in FY20 over FY19. Since a large proportion of its loan book was recently built, its seasoning is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor ranges anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat which comprised 39%, 21% and 21% of its AUM *(43%, 23% and 22% as on March 31, 2019)* as on March 31, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised 7% and 3% of its AUM as on March 31, 2020, (6% and 1% as on March 31, 2019). Further, in FY19 and FY20, the company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised 9% of its AUM as on March 31, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 *(as per I-GAAP)* from 10.26% in FY18 *(as per I-GAAP)* mainly on account of increase in interest income from deposits, further NIM stood at 9.11% in FY20 (as per IND-AS). However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets. Further, ROTA stood at 2.48% for FY20 (as per IND-AS).
KFL's delinquencies in harder bucket (more than 90 days) AUM remained at 3.05% as on March 31, 2020 as compared with 2.62% as on March 31, 2019. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.23% (NPA recognition for dues more than 90 days) and 2.59% respectively as on March 31, 2020 as compared with 3.39% and 2.93% as on March 31, 2019. Loan loss provisions to Average total asset stood at around 0.81% during FY20 as compared with 1.33% during FY19.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs despite impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.
However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.

Liquidity: Adequate

Liquidity of KFL as on March 31, 2020 has been adequate along with working capital limit utilization remaining at 28% for 12 months ending July 31, 2020; further KFL has comfortable ALM with no cumulative mismatch in any of the time buckets up-to 3 years as on March 31, 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.12.60 crore and unutilized working capital limits of Rs.99.36 crore (including Overdraft against Fixed deposits) as on August 11, 2020 against its debt repayment obligation of Rs.38.69 crore in next 3 months (August 11, 2020 to September 30, 2020) and Rs.136.18 crore in H2FY21. KFL's collection efficiency stood at around 18% & 31% *(due to impact of Covid-19)* in April 2020 and May 2020 respectively; however, it improved to around 66.95% in June 2020 and 68.66% in July 2020. KFL has raised funds of around Rs.122.50 crore in 4MFY21 (Upto July 31, 2020) under the normal sanctions, TLTRO and PCG scheme. KFL has also started disbursement from July 2020. KFL had availed moratorium till May 2020 from its bankers and financial institutions under the RBI's COVID 19 relief package. KFL has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Non-banking Financial Companies

Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture-based vehicles, etc. apart from financing of loan against property and personal loans. The company has adopted the IND-AS notified under section 133 of the Companies Act 2013 read with the Companies Rule 2015 from April 01, 2019 and effective date of transition is April 01, 2018.

Brief Financials (Rs. crore)	FY19 (A)	FY19 (Abridged)	FY20 (Abridged)
Accounting policy followed	**I-GAAP**	**Ind-As**	**Ind-As**
Total operating income	105.31	109.49	169.38
PAT	11.25	8.30	24.94
Interest coverage (times)	1.39	1.28	1.54
Total Assets	667.16	752.23	1250.26
Net NPA (%)	2.93	NA	2.59
ROTA (%)	2.12	NA	2.48

A: Audited; NA: Not Available

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4.*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

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
Proposed Debentures-Non Convertible Debentures	-	-	-	-	30.00	CARE A-; 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 (14-Jul-20) 2)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	300.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20) 2)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	19.03	CARE A-; Stable	1)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 (14-Jul-20)	1)CARE A-; Stable (14-Nov-19) 2)CARE BBB+; Stable (25-Jul-19)	-	-

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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
6.	Debentures-Non Convertible Debentures	LT	25.50	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20) 2)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20)	-	-	-
9.	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
10.	Debentures-Non Convertible Debentures	LT	19.03	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
11.	Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (19-Aug-20)	-	-	-
12.	Debentures-Non Convertible Debentures	LT	30.00	CARE A-; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

Annexure-4: Detailed explanation of covenants of the rated instrument

Instruments	Detailed explanation
A. Financial covenants	1. The ratio of Financial Indebtedness to Tangible Net Worth shall not exceed 4 times during the entire tenor of debenture till maturity. 2. Minimum CRAR shall be maintained at 20% during the entire tenor of debenture till maturity; 3. If the debentures get delisted during the tenor of the NCD, issuer will bear all expenses for listing it again within 30 days from date of delisting. During the period of such delisting, company to pay additional interest @ 2% p.a. over the Coupon Rate per annum for the period commencing from the date of such delisting, till the period it is again listed in the stock exchange.
B. Non-Financial covenants	The issuer shall take the prior written permission from the Investor / Debenture Trustee for the following: 1. Any change in Promoter, or control. 2. Loans exceeding 10% of net-worth to any single party and/or guarantees on behalf of third parties.

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE Ratings
Professional Risk Opinion

CARE/JRO/RL/2020-21/1274

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

August 17, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.25.00 crore of your company. The proposed NCDs would have tenure of 18 months with bullet repayment at maturity.

2. The following ratings have been assigned by our Rating Committee:

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture	25.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**25.00 (Rupees Twenty Five crore only)**		

3. Please refer **Annexure I** for details of the rated instrument.

4. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is August 17, 2020).

5. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

6. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of	Details of top 10 investors

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
Tel.: +91-22- 6754 3456 ● Fax: +91-22- 022 6754 3457
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CIN-L67190MH1993PLC071691

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Madho Singh Road, Near Collectorate Circle
Bani Park, Jaipur - 302 016
Tel: +91-141-4020213 / 14

		cr)					**Debenture Trustee**	

7. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
8. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure II. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 19, 2020, we will proceed on the basis that you have no any comments to offer.
9. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
10. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
11. 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.
12. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
13. CARE ratings are **not** recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,

[Yatesh Juneja]
Deputy Manager
yatesh.juneja@careratings.com

[Harshraj Sankhla]
Senior Manager
harshraj.sankhla@careratings.com

Encl.: As above

Annexure I

Terms of the rated proposed NCD

Particulars	Key Indicative terms of the issue
Type of Instrument	Secured Rated Transferable Redeemable Listed Non-Convertible Debentures
Issue Size	Rs.25.00 crore
Nature of Instrument	Secured (asset cover of 1.10 times)
Coupon Rate	9.50%
Tenor	18 months, with bullet repayment at maturity
Purpose	The proceeds of the Issuance will be utilized for the following purposes: • General corporate purposes • For the ordinary course of business of the Issuer including repayment/re-financing of existing debt.
Listing	The issue to be listed on the Wholesale Debt Market Segment of BSE

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Annexure II
Kogta Financial (India) Limited
August 17, 2020

Ratings

Instruments	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Proposed Non-Convertible Debenture	25.00	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Assigned**
Total Instruments	**25.00 (Rupees Twenty Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the above instrument of Kogta Financial (India) Ltd (KFL) derives strength from long experience of its promoters and that of KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) along with expansion of resource base over a period of time and growing scale of operations through increased geographical diversification during the past two years-ended FY20 (refers to the period April 1 to March 31). The rating also factors KFL's ability to raise funds from Private Equity (PE) investors in recent years as reflected from the fund infusion of Rs.301.00 crore by PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment along with moderate seasoning of loan portfolio and its moderate asset quality. CARE also takes cognizance of the company availing the moratorium granted by its lenders as a COVID relief measure (as permitted by the Reserve Bank of India) for the interest and installment repayments on its term loan/ working capital facilities from its lenders.

Rating Sensitivities

Positive Factors

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

Negative Factors

- Deterioration in profitability – decline in ROTA below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Significant decline in liquidity position due to impact on collection efficiency in the wake of Covid-19 pandemic situation and non-availability of fresh funding.
- Deterioration in asset quality with delinquency exceeding 6% of its Asset Under Management (AUM) (90+ dpd)
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: Mr. Radha Krishan Kogta (Chairman), key promoter of the company, has vast experience of more than 17 years in the finance sector especially vehicle financing and has been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (having more than a decade of experience) looks after the operations and geographical expansion activities while Mr. Varun Kogta (having more than a decade of experience) handles the Finance, IT and HR functions. Both are also involved in strategic decision making. Further, the addition of

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

new PE investors has also benefited KFL in the form of experienced nominee directors of the PE fund joining its Board of Directors.

Comfortable capital structure on account of regular fund infusion: Over the period of three years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL received funds in the form of compulsory convertible preference shares (CCPS) of Rs.30.00 crore from IIFL Seed Venture Fund. In FY19, KFL received funds of Rs.154.25 crore in the form of CCPS from Morgan Stanley Private Equity Asia and IIFL Seed Ventures. In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 crore; a fund managed by Creador Advisory LLP), NHPEA Rimo Holding BV (Rs.75.97 crore; *a fund managed by Morgan Stanley Private Equity Asia*) and Rs.1.00 crore from individual investor (Mr. Prakesh Chand Jain) in KFL. CCPS has a tenor of 20 years with option of exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years. Regular fund infusion led to improvement in KFL's tangible net worth to Rs.218.19 crore (as per IND-AS) as on March 31, 2019 which further increased to Rs.542.63 crore as on March 31, 2020 (as per IND-AS). Overall gearing of the company has improved to 1.25 times as on March 31, 2020 from 2.41 times as on March 31, 2019 *(as per IND-AS) [Overall gearing as per IGAAP: 1.49 times]* as per its abridged published financials for FY20 on BSE. Further, overall CAR has improved to 58.80% as on March 31, 2020 as compared with 39.23% as on March 31, 2019.

Long track record of operations: KFL has a long track record of two decades in the industry. Over the years, KFL has built a large customer base with active customers of 34,101 as on March 31, 2020 *(23,702 as on March 31, 2019)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 1,619 as on March 31, 2020 *(974 as on March 31, 2019*) including professional team of top management. Further, over a period of time, KFL has built good relations with Direct Selling Agents (DSA) leading to y-o-y growth in disbursements.

Primarily secured nature of business; albeit financing to relatively riskier borrower segment: KFL has secured loan portfolio of 99.80% (% of total AUM *(own book + securitized)* as on March 31, 2020) which is secured against the vehicles *(CVs, Four Wheelers, Two Wheelers, Tractors, equipment and property mortgage)*. However, short term personal loans are unsecured in nature which stood at around 0.20% of total AUM as on March 31, 2020. KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 42.29%, 7.74% and 9.01%, while LAP and Four Wheelers accounted for 21.09% and 19.05% of total disbursement during FY20 respectively. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. 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 specialized 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 Rs.10 lakh while for above that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base: KFL's scale of operations has depicted steady growing trend; KFL's outstanding own book portfolio has increased from Rs.671.62 crore as on March 31, 2019 (Rs.548.35 crore as per I-GAAP) to Rs.997.43 crore as on March 31, 2020 (as per IND-AS). KFL's total outstanding AUM (including securitized portfolio) increased from Rs.711.24 crore as on March 31, 2019 to Rs.1071.58 crore as on March 31, 2020, mainly due to increase in disbursement of around 33.39% during FY20 over FY19. KFL reported growth of 54.70% in its total income to Rs.169.38 crore in FY20 compared with Rs.109.49 crore in FY19 upon considerable growth in its AUM.

KFL has gradually increased its resource base and has 13 Banks (including PSU, Private banks and SFBs) and 19 Financial Institutions (2 Debt Funds & 17 NBFCs) on board as on March 31, 2020. KFL has also raised debt through NCD issues and from covered bonds. Average borrowing cost continued to remain in the range of 11-12% in FY20.

Moderately diversified product portfolio: The loan portfolio is moderately diversified with products having CV (comprising 46.26% of total O/s portfolio *(AUM)* as on March 31, 2020), MUV (8.17%), Four Wheeler loans (17.60%), LAP (19.84%), Tractor & Industrial Machinery, Tool & Equipment (7.70%) and short term personal loans (0.21%). The company also finances two-wheeler loans which constituted the balance portfolio. This shields the company from slowdown in the off take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

Key Rating Weaknesses

Moderate seasoning of loan portfolio: KFL's AUM has grown by around 50% in FY20 over FY19. Since a large proportion of its loan book was recently built, its seasoning is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover, since KFL is mainly into vehicle financing where average loan tenor ranges anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However, KFL derives comfort from repeat lending to its existing customers.

Moderate geographical concentration: KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat which comprised 39%, 21% and 21% of its AUM *(43%, 23% and 22% as on March 31, 2019)* as on March 31, 2020 (Provisional). KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised 7% and 3% of its AUM as on March 31, 2020, (6% and 1% as on March 31, 2019). Further, in FY19 and FY20, the company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised 9% of its AUM as on March 31, 2020. KFL has expanded its operation by opening new branches during FY19 and FY20; this led to further granular distribution of portfolio across 119 branches.

Moderate asset quality and moderate earning profile: KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 *(as per I-GAAP)* from 10.26% in FY18 *(as per I-GAAP)* mainly on account of increase in interest income from deposits, further NIM stood at 9.11% in FY20 (as per IND-AS). However, ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses due to geographical diversification of operations in the form of branch expansion and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared with 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets. Further, ROTA stood at 2.48% for FY20 (as per IND-AS).
KFL's delinquencies in harder bucket (more than 90 days) AUM remained at 3.05% as on March 31, 2020 as compared with 2.62% as on March 31, 2019. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.23% (NPA recognition for dues more than 90 days) and 2.59% respectively as on March 31, 2020 as compared with 3.39% and 2.93% as on March 31, 2019. Loan loss provisions to Average total asset stood at around 0.81% during FY20 as compared with 1.33% during FY19.

Subdued Industry Outlook: Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs despite impact on profitability. Also, with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 -day NPA recognition norm.
However, the spread of the COVID-19 pandemic has led to a nation-wide lockdown which is likely to impact the overall growth and collections of NBFCs/HFCs sector. As a result, in CARE's view the credit risk profile of NBFCs/HFCs is expected to deteriorate over the medium term. Liquidity profile, resource raising ability, funding support from parent/group and exposure to vulnerable asset classes and operating profiles in terms of geographies and borrower types would be critical monitorable factors in the NBFCs/HFCs sector.

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Liquidity: Adequate

Liquidity of KFL as on March 31, 2020 has been adequate along with working capital limit utilization remaining at 33.13% for 12 months ending April, 2020. KFL has comfortable ALM with no cumulative mismatch in any of the time buckets up-to 3 years as on March 31, 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.12.60 crore and unutilized working capital limits of Rs.99.36 crore (including Overdraft against Fixed deposits) as on August 11, 2020 against its debt repayment obligation of Rs.38.69 crore in next 3 months (August 11, 2020 to October 31, 2020) and Rs.136.18 crore in H2FY21. KFL's collection efficiency stood at around 18% & 31% *(due to impact of Covid-19)* in April 2020 and May 2020 respectively; however, it improved to around 66.95% in June 2020 and 68.66% in July 2020. KFL has raised funds of around Rs.122.50 crore in 4MFY21 (Upto July 31, 2020) under the normal sanctions, TLTRO and PCG scheme. KFL has also started disbursement from July 2020. KFL had availed moratorium till May 2020 from its bankers and financial institutions under the RBI's COVID 19 relief package. KFL has also simultaneously provided the moratorium to its clients based on Opt-out policy to everyone.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Non-banking Financial Companies
Financial Ratios – Financial Sector

About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture-based vehicles, etc. apart from financing of loan against property and personal loans. The company has adopted the IND-AS notified under section 133 of the Companies Act 2013 read with the Companies Rule 2015 from April 01, 2019 and effective date of transition is April 01, 2018.

Brief Financials (Rs. crore)	FY19 (A)	FY19 (Abridged)	FY20 (Abridged)
Accounting policy followed	**I-GAAP**	**Ind-As**	**Ind-As**
Total operating income	105.31	109.49	169.38
PAT	11.25	8.30	24.94
Interest coverage (times)	1.39	1.28	1.54
Total Assets	667.16	752.23	1250.26
Net NPA (%)	2.93	NA	2.59
ROTA (%)	2.12	NA	2.48

A: Audited; NA: Not Available

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4.*

Status of non-cooperation with previous CRA: None
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

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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
Proposed Debentures-Non Convertible Debentures	-	-	-	-	25.00	CARE A-; 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 (14-Jul-20) 2)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	300.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20) 2)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	19.03	CARE A-; Stable	1)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 (14-Jul-20)	1)CARE A-; Stable (14-Nov-19) 2)CARE BBB+; Stable	-	-

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
						(25-Jul-19)		
6.	Debentures-Non Convertible Debentures	LT	25.50	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	1)CARE A-; Stable (07-Jan-20)	-	-
7.	Debentures-Non Convertible Debentures	LT	10.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20) 2)CARE A-; Stable (01-Jun-20)	-	-	-
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	1)CARE A-; Stable (03-Jul-20)	-	-	-
9.	Debentures-Non Convertible Debentures	LT	15.00	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
10.	Debentures-Non Convertible Debentures	LT	19.03	CARE A-; Stable	1)CARE A-; Stable (14-Jul-20)	-	-	-
11.	Proposed Debentures-Non Convertible Debentures	LT	25.00	CARE A-; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Proposed Debentures-Non Convertible Debentures	Simple

Annexure-4: Detailed explanation of covenants of the rated instrument

Instruments	Detailed explanation
A. Financial covenants	1. Minimum CRAR as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.
B. Non-Financial covenants	The issuer shall take the prior written permission from the Investor / Debenture Trustee for the following: 1. Any change in Promoter, or control. 2. Loans exceeding 10% of net-worth to any single party and/or guarantees on behalf of third parties

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:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CARE Ratings
Professional Risk Opinion

CARE/JRO/RR/2019-20/1078

Mr. Varun Kogta
Director
Kogta Financial India Limited
206, Ganpati Plaza, M. I. Road,
Jaipur - 302001

November 15, 2019

Dear Sir,

Credit rating of Kogta Financial India Limited for bank facilities of Rs.200.00 crore and Non-Convertible Debenture Issue of Rs.55.00 crores.

Please refer to our letters dated November 11, 2019 on the above subject.

2. The rationale for the rating is attached as an **Annexure-I**.

3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 19, 2019, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,
Yours faithfully,

[Anurag Jain]
Manager
anurag.jain@careratings.com
Encl.: As above

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Tele: +91-141-4020213-214

CIN-L67190MH1993PLC071691

Rating Rationale
Kogta Financial (India) Limited

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term bank facilities	200	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE BBB+; Stable [Triple B plus; Outlook: Stable]
Total Facilities	**200 (Rupees Two Hundred crore only)**		
Non-Convertible Debenture Issue (INE192U07020)	40	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE BBB+; Stable [Triple B plus; Outlook: Stable]
Non-Convertible Debenture Issue (INE192U08044)	15	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE BBB+; Stable [Triple B plus; Outlook: Stable]
Total Instruments	**55 (Rupees Fifty Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of Kogta Financial (India) Ltd (KFL) is mainly on account of fund infusion of Rs.301.00 crore by the PE investors in October 2019 which led to augmentation in its net-worth and Capital Adequacy ratio. Further, revision in the rating also takes cognizance of growth in its scale of operations along with increased geographical diversification in FY19 (refers to the period April 1 to March 31) and H1FY20.

The rating further continues to derive strength from KFL's adequate capitalization level, long experience of the promoters and KFL in the financing industry, diversified product portfolio with major focus on commercial vehicle (CV) financing, well-managed origination, credit appraisal, collection and in-house Management Information System (MIS) and expansion of resource base over a period of time.

The rating, however, continues to remain constrained on account of its moderate earnings profile, financing relatively riskier borrower segment with moderate seasoning of loan portfolio and its moderate asset quality.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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Rating Sensitivity

Positive Factor

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

Negative Factor

- Deterioration in profitability – ROTA declined to below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Deterioration in asset quality – Gross NPA more than 6%
- Overall gearing exceeding 4 times

Detailed description of the key rating drivers

Experienced Promoters

Mr. Radha Krishan Kogta (Chairman), promoters of the company, have vast experience of more than 17 years in finance sector especially vehicle financing and have been instrumental in driving the growth of the company since inception. Currently, Mr. Arun Kogta (MD&CEO; having more than a decade of experience) is looking after the operations and geographical expansion activities while Mr. Varun Kogta (whole time director & CFO; having more than a decade of experience) is looking after Finance, IT and HR functions. Both of them are also involved in strategic decision making. Apart from that KFL has second line of management with experience of 2-15 years with the company handling credit appraisal, operations and financial aspects. KFL has 9 directors out of which 2 are nominee directors and 3 independent directors with extensive experience in financial services. The two nominee directors represent the PE firms who have infused funds in the company.

Comfortable capital structure and overall gearing on account of regular Equity infusion

Over the period of last 3 years ended March 31, 2019, KFL has consistently received funds aggregating Rs.184.25 crore from different fund houses. In FY17 & FY18, KFL has received funds in the form of Compulsory convertible preference shares of Rs.30 crore from IIFL seed venture fund. In FY19 KFL has received funds of Rs.154.25 crore in the form of CCPS from Morgan

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Stanley Private Equity Asia (Rs.114.25 crore) and IIFL Seed Ventures (Existing investor, Rs.40 crore).

In October 2019, KFL received funds of Rs.301 crore in the form of CCPS from Aditya Mauritius Limited (Rs.225.03 Crore a fund managed by Creador Advisory LLP) and NHPEA Rimo Holding BV (Rs.75.97 crore a fund managed by Morgan Stanley Private Equity Asia) and Rs.1.00 crore from individual investor (Prakesh Chand Jain) in KFL. CCPS is having tenor of 20 years with exit route through IPO and secondary sale after 4.5 years. There are no conditions attached in the recent infusion regarding mandatory buy back of shares from promoters and by company post completion of 4.5 years.

Regular equity infusion led to improvement in KFL's net worth to Rs.228.70 crore as on March 31, 2019. Overall gearing of the company has improved to 1.79 times as on March 31, 2019 from 4.62 times as on March 31, 2018. Further overall CAR has improved to 39.23% as on March 31, 2019 from 20.65% as on March 31, 2018. Further, overall CAR has deteriorated to 34.90% as on June 30, 2019, however the same has envisaged to improved after fund infusion in October 2019.

Long track record of operations with moderate seasoning of loan portfolio

KFL has a long track record of more than 19 years in the industry. Over the years, KFL has built a large customer base with active customers being of 27308 as on June 30, 2019 *(19332 as on September 30, 2018)* leading to substantial repeat business with less effort. Also, it has built decent employee strength of 950 as on March 31, 2019 *(825 as on September 30, 2018*) including professional team of top management. Further, over a period of time, KFL has built good relations with DSA leading to y-o-y growth in disbursements.

KFL's own book loan portfolio has grown by around 57% in FY19 over FY18, since, a large proportion of its loan book was recently built for which the seasoning is moderate and the performance of the recently built portfolio needs to be observed in the future. Moreover since KFL is mainly into vehicle financing where average tenor of loan ranges anywhere from 30 to 36 months therefore the seasoning of portfolio is inherently low. However KFL derives comfort from repeated lending to its existing customers. As on June 30, 2019, out of O/s loan portfolio

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that has recently funded during last 6 months stood at around 42% depicting moderate seasoning of loan portfolio.

Primarily secured nature of business albeit financing to relatively riskier borrower segment

KFL has almost secured portfolio as 99.47% (% of O/s AUM as on March 31, 2019) the loans and advances are secured against the vehicles, equipment's and property mortgage. However, short term personal loans are unsecured in nature which stood at around 0.53% (P.Y.:2.25%) of total AUM (own book + securitized) as on March 31, 2019. KFL lends at LTV of around 70-90% for vehicle financing while 40-50% in case of LAP financing.

KFL is primarily into financing of commercial vehicle, multi utility vehicle and cars. Commercial vehicles (HCV + LCV + SCV), Tractors and Multi Utility Vehicle (MUV) accounted for nearly 53%, 8% and 8% respectively of total disbursement in FY19. KFL is engaged in originating retail advances classified under priority sector and direct agricultural lending as per RBI guidelines. With focus on priority sector lending, KFL has presence in niche segment. During FY19, 80% of total disbursements were classified under PSL segment.

KFL mainly caters to the financing needs of the self-employed segment in the lower to middle income category, which is un-serviced by banking sector, at higher rate of interest. Since self-employed segment is highly susceptible to the impact of economic downturn, asset quality will remain a key monitorable.

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. KFL has its own in-house IT team which keeps upgrading the systems on regular basis based on necessity. KFL has an established monitoring structure for overseeing its operations including area-wise, product-wise and sales executive-wise. It has defined credit appraisal, collection and monitoring systems including profile of clients, ticket size, KYC etc. It has implemented specialized software with web based browser and user level restrictions to ensure speedy access to information with data security. Loan origination is done partly through Direct Selling Agents (DSA) and partly in-house while collection is done entirely

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by in-house employees. Credit-appraisal and final approval of loan is done by the dedicated team for ticket size of below Rs.10 lakh while above than that approval is given by the top management itself.

Growing scale of operations with gradually expanding resource base

KFL commenced its operations in 1996, its scale of operations has grown significantly in recent years, and currently KFL has presences in 7 states (Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Delhi NCR, Haryana, Uttar Pradesh and Punjab) with 96 branches as on June 30, 2019. KFL's scale of operations has depicted growing trends. KFL's outstanding portfolio on own book has increased by around 57% to Rs.548.35 crore as on March 31, 2019 as compared to Rs.348.94 crore as on March 31, 2018. Further, it stood at Rs.615.29 crore as on June 30, 2019. Also, its securitized portfolio has increased from Rs.79.57 crore as on March 31, 2018 to Rs.162.90 crore as on March 31, 2019 and Rs.155.16 crore as on June 30, 2019. KFL's total outstanding AUM (including securitized portfolio) increased by around 66% from Rs.428.51 crore as on March 31, 2018 to Rs.711.24 crore as on March 31, 2019 and Rs.770.45 crore as on June 30 2019. Further, KFL reported growth of 64% in its total income to Rs.105.31 crore in FY19 compared to Rs.64.20 crore in FY18 upon considerable growth in its AUM.

KFL is gradually increasing its resource base and currently enjoys bank facilities from 8 banks and 19 financial institutions (15 NBFCs, 1 Small Finance Bank, 3 FIs). KFL also raised debt of through NCD issues and from covered bonds. Interest Expense/Average debt continued to remain in range of 11-12%. Apart from accessing bank facilities; it has raised funds to the tune of Rs.15 crore by issuing NCDs to Northern Arc Investments in H1FY20 for expansion in loan portfolio. Further, KFL has engaged with various lenders for raising the money to the tune of around Rs.300 crore during H2FY20.

Moderately diversified product portfolio and moderate geographical concentration

The loan portfolio is diversified with CV (comprising 54% of total O/s portfolio *(AUM)* as on March 31, 2019), MUV (8.85%), Car loans (15.78%), LAP (10.42%) and Tractor & Indus. Machinery, Tool & Equipment (9.68%) and short term personal loans (0.25%). The company also finances two wheeler loans which constituted the balance portfolio. This shields the

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company from slowdown in the off-take of new loans as well as delinquencies in any one sector to an extent. KFL finances both used and new vehicles.

KFL has presence mainly in 8 states with major portion of loan portfolio in Rajasthan, Maharashtra and Gujarat comprising 43%, 23%, 22% of AUM *(43%, 23% and 22% as on March 31, 2019)* as on June 30, 2019 respectively as against 49%, 19% and 30% respectively as on March 31, 2018. KFL also has operations in Madhya Pradesh and Delhi NCR region which comprised of 5.81% and 1.67% of AUM as on June 30, 2019 (5.68% and 1.45% as on March 30, 2019) as against 2.93% and 0.10% as on March 31, 2018. Further in FY19 and Q1FY20, company has diversified its operations in Haryana, Uttar Pradesh and Punjab which together comprised of 5.83% *(Rs.44.89 crore)* of AUM as on June 30, 2019. KFL has expanded its operation by opening new branches during FY19 and Q1FY20; this led to further granular distribution of portfolio among 96 branches, with average share per branch is 1.04% of O/s loan portfolio as on June 30, 2019 *(1.69% as on March 31, 2019)* per branch in total loan portfolio. Further, total exposure in AUM from top 5 branches stood at Rs.161.78 crore which is 70.74%, 22.75% of total net-worth and AUM respectively as on March 31, 2019.

Moderate asset quality and moderate earning profile

KFL's NIM has been increasing for last three years mainly because of decline in average cost of borrowings. Further, NIM has marginally improved to 10.54% during FY19 from 10.26% in FY18 mainly on account of increase in interest income from deposits. ROTA has declined from 2.62% in FY18 to 2.12% in FY19 mainly on account of increase in operating expenses (including employee expenses for hiring experienced staff on branch level) following geographical expansion of operations and higher disbursements in last quarter of FY19 which led to increase in loan portfolio. Adjusted ROTA (adding off balance sheet items to total assets) stood at 1.76% during FY19 as compared to 2.22% during FY18 mainly due to higher exceptional income during FY18 due to sale of fixed assets.

KFL's delinquencies in harder bucket (more than 90 days) for AUM remained at 2.62% as on March 31, 2019 as compared to 3.27% as on March 31, 2018. NPA level has remained moderate with Gross NPA and Net NPA of total loan portfolio (own book) at 3.39% (NPA recognition for dues more than 90 days) and 2.93% respectively as on March 31, 2019, while it stood at 4.46%

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and 3.88% as on June 30, 2019. Loan loss provisions to Average total asset stood at around 1.33% during FY19 as compared to 1.47% during FY18. KFL has major NPA in the HCV asset class having 5.69% as on March 31, 2019 which has increased to 8.47% as on June 30, 2019. HCV constituted around 17% of total AUM as on June 30, 2019.

Industry Outlook

Over the last few years, the NBFC sector has gained systemic importance with increase in share of NBFC credit vis-à-vis total bank credit. The same has resulted in the Reserve Bank of India (RBI) taking various policy actions resulting in NBFCs attracting higher support and regulatory scrutiny. The RBI revised the regulatory framework for NBFCs in 2014 which broadly focused on strengthening the structural profile of the NBFC sector, thereby safeguarding depositors' money and regulating NBFCs which have increased their asset-size over time and gained systemic importance. On the asset quality front, despite the gradual change in the NPA recognition norms from 180 days previously to 90 days by March, 2018, the asset quality has remained largely stable for the sector and far superior to banks. The sector is in the midst of a liquidity stress scenario, with disruptions in the short-term commercial paper market, sharp correction in stock prices of NBFCs and cautious approach taken by the banks towards lending to the sector.

The NBFC sector has witnessed superior growth rates in the last three years ended FY18, mainly driven by slowdown in credit flow from the banks as they grapple with asset quality challenges and capital constraints. The NBFC sector has demonstrated asset-class specific expertise with sophisticated credit underwriting methods, increased use of data analytics, multi-channel origination, and faster turnaround times helping them gain market share in both retail and wholesale asset classes. Comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs. The same, however, is being put to test under the prevailing liquidity tightness and changed sentiment towards NFBCs.

The sector witnessed a liability-side disruption post default by a large infrastructure lender, leading to sharp increase in spreads and drying up of the short-term commercial paper (CP) market. Mutual funds, who were major investors in CPs of NBFCs, faced redemptions and as a result CP rollovers reduced drastically. NBFCs running a negative asset-liability gap in the

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shorter time buckets had to react to the situation by dipping into their liquidity reserves and/or resorting to portfolio sales to banks to generate liquidity. While the sector has largely honored the debt repayments over Q3 and Q4 of FY19, it will have to live with high cost of borrowing till the credit markets normalize. The changed scenario on the liability front is likely to impact the portfolio growth as well as profitability of the NBFCs in the medium term. NBFCs having presence in the wholesale and real-estate lending space are likely to be impacted more vis-à-vis their retail counterparts. NBFCs will have to adjust their business models in light of the current scenario and re-visit their growth plans. Asset quality, liquidity and profitability will be the key monitorables for the sector going forward.

Liquidity: Adequate

Liquidity position of KFL as on March 31, 2019 has been adequate with working capital limit utilization remaining at 43.56% for 12 months ending Aug 2019 (TTM Aug 2018: 37.49%). KFL has comfortable ALM with cumulative mismatch in 6m-1year bucket after considering maturity of Outstanding CC limit as on March 31, 2019 in the 6m-1year bucket. Further, the company has raised equity of Rs.301.00 crore in October 2019 which has provided the additional liquidity cushion. KFL had free cash and bank balance and liquid investments of Rs.63.99 crore as on March 31, 2019 against the debt repayment obligation of Rs.125.44 crore during FY20. KFL has disbursed around Rs.50 crore per month during H1FY20. Further, KFL is expecting disbursement of around Rs.400 crore in next 6 months (H2FY20). KFL has also raised funds through NCD issues and Covered bonds. KFL has raised funds through securitization and direct assignment amounting Rs.158 crore during FY19. Furthermore, KFL has got sanction of TL and Overdraft Limit amounting Rs.292 crore after Sep 2018 from banks, FIs and Small Finance Banks which shows capability of raising the debt in tough economic market scenario.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Non-banking Financial Companies

Financial Ratios – Financial Sector

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About the Company

Incorporated in 1996, Kogta Financial (India) Ltd. (KFL) is a Non deposit taking Non-Banking Finance Company (NBFC-ND) mainly operating in the states of Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. It is primarily engaged in used and new vehicle financing including commercial vehicles, multi utility vehicles, cars, agriculture based vehicles, etc. apart from financing of loan against property and personal loans.

Financial Performance:

(Rs. crore)

For the Year Ended On / As At March 31,	2017 (12 m, A)	2018 (12 m, A)	2019 (12 m, A)
Working Results			
Fund based Income (Incl. investment inc.)	39.67	63.75	104.93
Fee Income	0.39	0.39	0.33
Total Income	40.12	64.19	105.31
Operating expenses	12.35	20.45	37.68
Provisions & Write offs	1.96	4.68	7.06
Interest	20.20	28.31	42.80
Depreciation	0.49	0.74	1.40
Extra Ordinary Income/(Expenses)	2.08	1.69	0.51
PBT	7.21	11.71	16.87
PAT	4.97	8.33	11.25
Financial Position			
Tangible Net Worth	56.88	67.34	228.70
Total Debt	179.05	309.73	408.42
Total Loan Portfolio (AUM)	238.51	428.52	711.24
Total Assets	241.98	392.68	667.16
Total Assets (AUM)	277.81	472.25	830.06
Key Ratios			
Solvency(times)			
Overall Gearing (times)	3.15	4.62	1.79
Capital Adequacy Ratio (%)	31.07	20.65	39.23
Tier I CAR (%)	24.63	17.73	38.18
Interest coverage (times)	1.36	1.41	1.39
Profitability (%)			
Net Interest Margin	8.78	10.26	10.54
Return on Total Assets	2.51	2.62	2.12
Operating Expenses/Average Total Asset	6.47	6.68	7.37
Asset Quality (%)			
Days Past Due	***120***	***120***	***90***
Gross NPA Ratio	2.26	3.09	3.39
Net NPA Ratio	2.02	2.71	2.93
Net NPA to Net worth	7.25	13.80	6.99

A: Audited

During Q1FY20, KFL earned PAT of Rs.2.42 crores on total income of Rs. 32.59 crores, further KFL made total disbursements of Rs. 137.91 crore while loan portfolio stood (own book) stood at Rs. 615.29 crore as on June 30, 2019.

Status of non-cooperation with previous CRA: None

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-4*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	94.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	-	April, 2021	106.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U07020	April 13, 2017	12.23%	April 2020	40.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE192U08044	Aug 22, 2019	15.90% (Fixed)	April, 2022	15.00	CARE A-; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	94.00	CARE A-; Stable	-	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)	1)CARE BBB- (16-Jun-16) 2)CARE BBB- (13-Jun-16)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (08-Jan-18) 2)CARE BBB-; Positive (28-Jul-17)	1)CARE BBB- (13-Jun-16)

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Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
							3)CARE BBB-; Stable (11-Apr-17)	
3.	Fund-based - LT-Term Loan	LT	106.00	CARE A-; Stable	-	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)	1)CARE BBB- (16-Jun-16)
4.	Debentures-Non Convertible Debentures	LT	40.00	CARE A-; Stable	-	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 BBB+; Stable (25-Jul-19)	-	-	-

Annexure-3: Details of Rated Facilities

A-1 Detail of bank facilities

1. A. Term Loans (Secured rupee term loans)

(Rs. Crore)

Name of Bank	Amount rated*	Debt Repayment Terms
Bank of India	2.23	Repayable in 9 equal quarterly installments of Rs.1.11 crore
South Indian Bank	4.39	Repayable in 8 quarterly installments with one year of moratorium period
IndusInd Bank	15.03	Sanctioned amount R.20.00 crore. Repayable in 36 monthly installments
AU Small Finance Bank	38.67	Sanctioned amount Rs.56.00 crore Repayable in 30 principle installments starting from following month from date of full disbursement, EMI date would be 5th and 15th of every month falling in succeeding month
Ujjivan Small Finance Bank	18.67	Sanctioned amount Rs.20.00 crore Repayable in 30 monthly installments
City Union Bank	5.00	Sanctioned amount Rs.5.00 crore. Principal to be repaid

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		in 12 Quarterly installments.
Utkarsh Small Finance Bank	9.44	Sanctioned amount Rs.10.00 crore. Repayable in 36 monthly installments
Proposed	12.57	-
Total	**106.00**	-

**Outstanding as on Aug 31, 2019;*

1. B. Fund Based limits sanctioned

(Rs. Crore)

Sr. No.	Name of Bank	Fund Based Limits		
		CC*	Sub limit to CC	Total fund-based limits
1	State Bank of India	40.00	WCDL: Rs.20 crore	40.00
2	AU Small Finance Bank	10.00	-	10.00
3	HDFC Bank	4.00	-	4.00
4	*Proposed*	40.00	-	40.00
	TOTAL	**94.00**	-	**94.00**

 # Sanctioned Amount; WCDL: Working Capital Demand Loan

Total long-term facilities (1.A. +1.B.): Rs.200.00 crore

Annexure-4: Detailed explanation of covenants of the rated instrument / facilities

Non-Convertible Debentures	Detailed explanation
A. Financial covenants	• Capital Adequacy (Tier 1 Capital + Tier 2 Capital) / Risk Weighted Assets) of >17% or as per the regulatory requirement prescribed by Reserve Bank of India, whichever is higher. • To maintain a ratio of a PAR-90 (net off provisions) to Tangible net worth not greater than 30% • To maintain a ratio of A:B not greater than 35% where A is Off-Balance Sheet Portfolio and B is Gross Loan Portfolio • After-tax Quarterly Net Profit to be positive; • Net un-hedged foreign currency exposure within +/- 50% of Tangible Net Worth. • The aggregate balance of the loans made by the Borrower to its ten largest borrowers shall not be more than forty percent (40%) of Equity. • The Borrower shall maintain at all times, tested at the end of each fiscal quarter, a Capital to Total Assets Ratio (where Total Assets exclude cash and bank deposits) of minimum eighteen percent (18%).
B. Non-financial covenants	The Borrower will deliver to the Lender the audited financial statements as soon as available but no later than 120 days after the close of each fiscal year. The Borrower will also deliver the figures and results necessary for the Lender to determine fulfillment of the Financial Covenants described below in no more than 30 days after the close of each quarter for the duration of the loan. The Lender will have access to any additional information that it deems necessary to monitor and evaluate the financial performance and/or operational risk of the Borrower for the duration of the loan

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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