

March 14, 2024

Kogta Financial India Limited: Rating upgraded for SNs issued under vehicle loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Feb-24 Payout (Rs. crore)	Rating Action
MIAMI 10 2022	Series A1 SN	81.00	NA	22.80	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SN) are backed by vehicle loan receivables originated by Kogta Financial India Limited (Kogta). The rating has been upgraded due to the substantial build-up of the credit enhancement (CE) cover over the future SN payouts, on account of the high amortisation of the underlying pool. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the February 2024 payout month.

Pool performance summary

A summary of the performance of the pools till the February 2024 payout (January 2024 collection month) has been tabulated below.

Parameter	MIAMI 10 2022
Months post securitisation	16
Pool amortisation	64.5%
Series A1 SN amortisation	71.9%
Cumulative collection efficiency	97.1%
Cumulative prepayment rate	19.7%
Loss-cum-30+ (% of initial pool principal) ¹	5.7%
Loss-cum-90+ (% of initial pool principal) ²	2.4%
Cumulative CC utilisation	0.0%
CC available (as % of balance pool)	19.7%
EIS over balance tenure (as % of balance pool)	14.9%
Principal subordination (% of balance pool) SN A1	28.6%
Breakeven collection efficiency	46.5%

¹ POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

² POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

Key rating drivers

Credit strengths

- Healthy collection performance of the pool leading to lower delinquencies
- High amortisation of the pool, leading to lower uncertainty around performance of the balance pool contracts
- Build-up in CC, subordination and EIS cover available for the balance pool

Credit challenges

- Pool's performance would remain exposed to macroeconomic shocks/ business disruptions, if any

Description of key rating drivers highlighted above

The cumulative collection efficiency for the pool has been reported above 96% since origination till January 2024 collection month. The loss-cum-90+ days past due (dpd) is reported at 2.4% as on January 2024 collection month. Any shortfall in the collections in the past has been absorbed by the subordination and/or excess interest spread available in the structure. Hence, there has been no CC utilisation till date in the pool. Further, due to the significant amortisation of the SN/pool, there has been a substantial build-up in the CE for the balance tenure of the SN payouts. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations. Further, pool's performance would remain exposed to macroeconomic shocks/ business disruptions, if any.

Performance of past rated pools: ICRA has rated 13 securitisation transactions with the underlying receivables originated by Kogta, of which 11 have matured. The matured pools had performed well with no instance of CC utilisation. The balance live pool (except for above mentioned) is yet to complete three payouts post securitisation.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of the originator's loan portfolio. ICRA has also considered Kogta's credit quality experience and ICRA's expectation of the credit quality for the asset classes involved. The resulting collections from the pool, after incorporating the impact of losses and prepayments as above, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 2.50-3.50% (on initial principal outstanding), with certain variability around it. The prepayment rate for the underlying pool is estimated at 4.8-18% per annum.

Liquidity position: Superior

The liquidity for Series A1 SN is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded based on sustained strong collection performance of the underlying pool contracts (monthly collection efficiency >95%), leading to lower than expected delinquency levels, and on an increase in the cover available for future SN payouts from the credit enhancements.

Negative factors –The rating could be downgraded based on sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher than expected delinquency levels and credit enhancement utilization levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till February 2024 payout month (January 2024 collection month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Kogta Financial India Limited (KFIL), incorporated in 1996, is an NBFC, which primarily finances new and used commercial vehicles, multi-utility vehicles, cars, and tractors. It also provides secured MSME loans and loan against property (LAP). The Jaipur-based company had about 207 branches, as on December 31, 2023, across Rajasthan, Gujarat, Maharashtra, MP, others (including Delhi NCR, Punjab, Haryana etc.).

The company's AUM stood at Rs.4,358 crore as on December 31, 2023 compared to Rs. 3,396 crore as on March 31, 2023. While the used vehicle financing segment accounted for 69% of the AUM as on December 31, 2023, the new vehicle financing segment's share stood at 11% with LAP/secured MSME loans accounting for 20%. Rajasthan accounted for 34% of the AUM as on December 31, 2023.

Following the equity infusion in May 2022, the promoter group, viz. the Kogta family, holds a 31.7% equity stake (including warrants) in the company on a fully-diluted basis, while the balance is held by Morgan Stanley Private Equity Asia (23.2%), Creador Advisors India LLP (17.2%), Multiples Private Equity (14.3%) and Javelin Investments (9.0%).

KFIL reported a profit after tax of Rs. 93.1 crore in 9M FY2024 on a total managed asset base of Rs. 5,496.4 crore as on December 31, 2023. Its net worth stood at Rs. 1,230.0 crore with a managed gearing of 3.4x as on December 31, 2023. The gross and net NPAs stood at 3.1% and 1.7%, respectively, as on December 31, 2023.

Key financial indicators

Kogta Financial (India) Limited	FY2021	FY2022	FY2023	9M FY2024*
Total income	246	360	522	549
PAT	45	52	86	93
Total Managed Assets	2,042	2,927	4,420	5,496
Gross stage 3	3.3%	3.6%	3.1%	3.1%
CRAR	43.44%	28.5%	34.1%	28.5%

*Provisional; Amount in Rs. crore; Source: Company & ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
				Mar 14, 2024	Mar 13, 2023	Nov 03, 2022	-	-
MIAMI 10 2022	Series A1 SN	81.00	22.80	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SN	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate [^]	Maturity Date [*]	Amount Rated (Rs. crore)	Current Rating and Outlook
Miami 10 2022	Series A1 SN	October 2022	8.65%	March 2027	22.80	[ICRA]AA+(SO)

[^]p.a.p.m.; ^{*}Scheduled maturity at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22-6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Ekta Baheti

+91 22 6114 3423

ekta.baheti@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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