

February 04, 2025

Kogta Financial India Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	315.00	315.00	[ICRA]A+ (Stable); reaffirmed
Non-convertible debentures	10.00	0.00	[ICRA]A+ (Stable); reaffirmed and withdrawn
LT market linked debentures	60.00	0.00	PP-MLD[ICRA]A+ (Stable); reaffirmed and withdrawn
Term loan	500.00	500.00	[ICRA]A+ (Stable); reaffirmed
Long-term fund based/Non-fund-based others	1,000.00	1,500.00	[ICRA]A+ (Stable); reaffirmed/assigned for enhanced amount
Total	1,885.00	2,315.00	

*Instrument details are provided in Annexure I; LT – Long term

Rationale

The ratings factor in Kogta Financial India Limited's (KFIL) demonstrated track record of business expansion while maintaining adequate capitalisation and profitability. The company has scaled up its business (compound annual growth rate (CAGR) of 46% during FY2020-FY2024 and year-on-year (YoY) growth of 31% in H1 FY2025), supported by regular capital raising and stable asset quality. KFIL's net worth increased to Rs. 1,942.7 crore as on September 30, 2024 from Rs. 1,280.3 crore as on March 31, 2024, following the primary capital infusion of ~Rs. 611 crore in June 2024. Consequently, the managed gearing declined to 2.4x as on September 30, 2024 from 3.6x as on March 31, 2024. The profitability indicators have been adequate, notwithstanding the recent moderation, with a return on managed assets (RoMA) of 1.6% in H1 FY2025 compared with 2.7% FY2024. The ratings also consider KFIL's diversified borrowing profile and its established track record and franchise in the regional market.

The ratings are, however, constrained by KFIL's limited portfolio seasoning due to the high growth seen in the last few fiscals. While the company has expanded its reach over the years to nine states/Union Territories (UTs) in North and West India, the home state of Rajasthan still accounted for 34% of the portfolio as on September 30, 2024 (though lower than 39% as on March 31, 2020). Further, as KFIL primarily operates in the used vehicle financing segment, its customers are mostly small road transport operators, small business owners and first-time borrowers and single vehicle owners, who are more susceptible to economic shocks and have limited income buffers. Thus, the company's delinquency indicators could remain volatile. Nonetheless, it is noted that KFIL has demonstrated the ability to make recoveries from delinquent accounts, reporting a relatively stable asset quality in the past seven years.

The Stable outlook reflects ICRA's expectation that the company would continue to scale up profitably while controlling the asset quality and maintaining an adequate capitalisation profile.

ICRA has reaffirmed and withdrawn the ratings assigned to the Rs. 10-crore non-convertible debentures and Rs. 60-crore long-term (LT) market linked debentures as no amount is outstanding against the same. The ratings have been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Capital profile commensurate to support near term portfolio growth – KFIL received a primary equity infusion of ~Rs. 611 crore in June 2024 from Ontario Teachers Pension Plan (OTPP; total capital infusion of ~Rs. 1,230 crore in the form of primary and secondary transactions), which improved its capital buffers. This, coupled with internal accruals, aided a sizeable increase in its net worth to Rs. 1,942.7 crore as on September 30, 2024 from Rs. 1,280.3 crore as on March 31, 2024. Consequently, the managed gearing declined to 2.4x as on September 30, 2024 from 3.6x as on March 31, 2024. The company has adequate capital cushions for absorbing any asset-side shocks and to support the near-term portfolio growth. However, ICRA notes that KFIL has outlined a road map for strong growth, which is likely to increase the leverage from the current level. A rise in the managed gearing beyond 4x on a sustained basis could be a credit negative for the company and will hence be a monitorable.

Profitability profile remains adequate, notwithstanding recent moderation – Given its target borrower profile, KFIL commands high lending yields as reflected by the average yield of 16.9% in FY2024 (yields remained range-bound at 17-18% over the past four years {FY2021-FY2024}). At the same time, the cost of funds increased to 8.9% in FY2024 from 8.3% in FY2023, given the elevated systemic interest rates and the rise in the risk weights for bank lending to non-banking financial companies (NBFCs). Consequently, the lending spread compressed to 8.0% in FY2024 from 8.5% in FY2023. The net interest margin (NIM; including fees and direct assignment (DA) income) remained stable at 7.9% in FY2024 (7.9% in FY2023) because of upfront income from DA despite the rise in gearing. While operating expenses moderated to 4.6% in FY2024 from 5.0% in FY2023 on account of operating efficiency, credit costs remained stable at 0.9% because of lower incremental provisions despite higher write-offs from the restructured book. Overall, the profitability improved with RoMA of 2.7% in FY2024 compared with 2.3% in FY2023.

The average yield declined to 15.9% in H1 FY2025 because of higher slippages and higher share of portfolio growth achieved towards end of Q2 FY2025. At the same time, the cost of funds increased further to 9.1% because of the elevated systemic interest rates. This led to a compression in the spread to 6.8% during this period. This coupled with negative carry on the balance sheet liquidity led to reduction in NIMs to 6.9% in H1 FY2025 despite the reduction in gearing. While operating expenses remained stable at 4.7% in H1 FY2025, credit costs rose because of increased slippages and higher incremental provisions during this period, leading to the weakening of the profitability profile with RoMA of 1.6% in H1 FY2025. ICRA notes that the improvement in incremental profitability shall depend on the optimisation of the operating expenses with economies of scale and the ability to keep fresh slippages under control.

Diversified borrowing profile for current scale of operations – KFIL's borrowing profile is diversified for its current scale, with sources including banks (66% of the total borrowings, including off-book portfolio, as on September 30, 2024), NBFCs/financial institutions (FIs; 8%), and debt markets (8%). As on September 30, 2024, the company had borrowing relationships with 50+ banks and FIs and continues to raise funds through securitisation/assignment (18% of the total borrowings, including off-book portfolio, as on September 30, 2024). KFIL would need to continue expanding its lender base, while borrowing at competitive rates, to grow as per its business plans.

Established track record and franchise in regional market – KFIL's promoters have over 15 years of experience in the vehicle financing business, especially in Rajasthan. This has helped it establish a retail franchise in Rajasthan and its neighbouring states/UTs and gain a good understanding of the local market. KFIL's leadership team primarily consists of the promoter's family members, backed by an experienced management team and supported by independent and nominee directors. The promoter group, viz. the Kogta family, held a 30.22% equity share as on September 30, 2024 in the company on a fully-diluted basis. It is also backed by established equity investors. In line with its business plans, KFIL has also invested in developing an in-house management information system (MIS), which is fully integrated across functions. Moreover, it

recently launched a new loan origination system across all branches. This would enable it to leverage the strengthened technological capability and grow profitably while achieving operating efficiency.

Credit challenges

Limited portfolio seasoning on the back of high growth – As KFIL raised fresh capital over the years and forayed into new geographies and products, its disbursements, and hence the assets under management (AUM), increased at a fast pace (4-year CAGR of 46% during FY2020-FY2024 and YoY growth of 31% in H1 FY2025) with the AUM touching Rs. 5,241 crore as on September 30, 2024 (Rs. 4,793 crore as on March 31, 2024). This indicates limited portfolio seasoning. Further, while the company expanded its reach over the years to nine states/UTs in North and West India through a network of about 252 branches as on September 30, 2024, the home state of Rajasthan still accounted for 34% of the portfolio (though lower than 39% as on March 31, 2020). The rest of the portfolio is in Maharashtra (18%), Gujarat (16%), Madhya Pradesh (MP) and Chhattisgarh (13%) and others (including Delhi NCR, Punjab, Haryana: 19%). KFIL's ability to expand into new geographies in the near to medium term while improving its operating efficiency in the existing states will be imperative for expanding the scale of operations.

Moreover, as the vehicle loan financing segment consistently accounted for the strong growth, its share in KFIL's AUM, as on September 30, 2024, remained in line with the FY2024 level at ~81%. Also, the share of the used vehicle financing segment remained stable at 70% of the AUM as on September 30, 2024 (69% as on March 31, 2024) and it continues to be the largest business area for the company. ICRA notes that KFIL has gained traction in the secured micro, small and medium enterprise (MSME) lending space to cater to a similar category of low-and-middle-income group borrowers, and its share in the AUM stood at 19% as on September 30, 2024 (20% as on March 31, 2024). The impact of portfolio seasoning on the overall asset quality will remain a monitorable over the medium term.

Exposure to relatively weak borrower profile, which is susceptible to economic shocks – As KFIL primarily operates in the used vehicle financing segment, its customers are mostly first-time borrowers and single vehicle and small business owners, who are more susceptible to economic shocks and have limited income buffers. The company's 30+ days past due (dpd) weakened to 8.2% as on September 30, 2024 from 6.2% as on March 31, 2024 because of the headwinds in the operating environment in addition to the vulnerable borrower profile and the nature of the business. Consequently, the 90+ dpd weakened to 3.6% as on September 30, 2024 from 2.4% as on March 31, 2024 because of roll-forwards into harder buckets.

While KFIL's gross non-performing advances (NPAs) improved to 2.6% as on March 31, 2024 from 3.3% as on March 31, 2023 because of lower slippages and higher write-offs from the restructured book, it weakened to 3.8% as on September 30, 2024 following higher slippages and slower rollbacks. Further, the restructured book declined to 0.2% of the AUM as on March 31, 2024 (0.3% as on March 31, 2024) from 1.5% as on March 31, 2023. Although KFIL has demonstrated the ability to recover from delinquent accounts, reporting a relatively stable asset quality in the past eight years, controlling incremental fresh slippages while growing as per business plans will remain a key monitorable.

Liquidity position: Adequate

The short to medium tenure of the loans extended by KFIL (average tenure of about four years) matches well with the weighted average tenure of the term facilities (3.4 years) availed by it and reflects positively in the asset-liability maturity (ALM) profile. Thus, the ALM profile, in the normal course of business, is characterised by positive cumulative mismatches across all buckets up to one year. As per the ALM profile on September 30, 2024, the company has debt maturities of Rs. 2,047 crore for the 12-month period ending September 30, 2025 against scheduled inflows from performing advances of Rs. 2,060 crore. It had adequate on-balance sheet liquidity, as on September 30, 2024, with cash and equivalents of about Rs. 960 crore (24% of total on-balance sheet borrowings). Cash & equivalents includes investments of Rs. 468 crore in bonds, debentures, Government securities (G-Secs) and Treasury bills (T-bills). The liquidity profile is also supported by the undrawn sanctioned bank lines of Rs. 455 crore and the unutilised working capital lines of Rs. 76 crore as on September 30, 2024.

Rating sensitivities

Positive factors – The ratings could be upgraded on a healthy growth in the scale on a sustained basis while maintaining comfortable asset quality and capitalisation and/or a sustained improvement in the profitability (RoMA of more than 3.0%).

Negative factors – Pressure on the ratings could emerge on a significant increase in the leverage (managed gearing increasing beyond 4x on a sustained basis) and/or a sustained deterioration in the asset quality or weakening in the liquidity and earnings profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's credit rating methodology for non-banking finance companies Policy on withdrawal of credit ratings
Parent/Group support	-
Consolidation/Standalone	Standalone

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 252 branches as on September 30, 2024, spread across Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Chhattisgarh and others (including Delhi NCR, Punjab, Haryana). The AUM stood at Rs. 5,241 crore as on September 30, 2024 (Rs. 4,793 crore as on March 31, 2024) compared to Rs. 3,396 crore as on March 31, 2023. While the used vehicle financing segment accounted for 70% of the AUM as on September 30, 2024, the new vehicle financing segment's share stood at 11% with LAP/secured MSME loans accounting for 19%. Rajasthan accounted for 34% of the AUM as on September 30, 2024.

Following the equity infusion in June 2024, the promoter group, viz. the Kogta family, had a 30.22% equity stake (including warrants) in the company on a fully-diluted basis as on September 30, 2024, followed by Ontario Teachers Pension Plan (22.95%), Multiples Private Equity (12.31%), Creador Advisors India LLP (12.04%), Morgan Stanley Private Equity Asia (10.75%) and Javelin Investments (7.70%).

KFIL reported a profit after tax (PAT) of Rs. 140.9 crore in FY2024 on a total managed assets base of Rs. 6,075.5 crore as on March 31, 2024 compared to Rs. 85.5 crore in FY2023 on a total managed assets base of Rs. 4,419.9 crore as on March 31, 2023. Its net worth stood at Rs. 1,280.3 crore with a managed gearing of 3.6x as on March 31, 2024 compared to Rs. 1,134.8 crore and 2.8x, respectively, as on March 31, 2023. The gross and net NPAs stood at 2.6% and 1.3%, respectively, as on March 31, 2024 compared to 3.3% and 1.8%, respectively, as on March 31, 2023.

KFIL reported a PAT of Rs. 53.3 crore in H1 FY2025 on a total managed assets base of Rs. 6,874.9 crore as on September 30, 2024. Its net worth stood at Rs. 1,942.7 crore with a managed gearing of 2.4x as on September 30, 2024. The gross and net NPAs stood at 3.8% and 2.1%, respectively, as on September 30, 2024.

Key financial indicators

KFIL	FY2023	FY2024	H1 FY2025
	Audited	Audited	Provisional
Total income	521.9	770.3	440.3
Profit after tax	85.5	140.9	53.3
Total managed assets	4,419.9	6,075.5	6,874.9
Return on average managed assets	2.3%	2.7%	1.6%
Managed gearing (times)	2.8	3.6	2.4
Gross NPA (as per new IRAC norms)	3.3%	2.6%	3.8%
CRAR	34.1%	27.1%	38.2%

Source: KFIL, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025	FY2024		FY2023		FY2022	
			Feb-04-2025	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based/Non-fund based – Others	Long term	1,500.00	[ICRA]A+ (Stable)	13-Mar-2024	[ICRA]A+ (Stable)	-	-	-	-
Non-convertible debentures	Long term	315.00	[ICRA]A+ (Stable)	05-SEP-2023	[ICRA]A (Positive)	04-APR-2022	[ICRA]A- (Stable)	20-MAY-2021	[ICRA]AA(CE) ; withdrawn
				28-FEB-2024	[ICRA]A+ (Stable)	04-APR-2022	[ICRA]A- (Stable)	12-OCT-2021	[ICRA]A- (Stable)
				28-FEB-2024	[ICRA]A+ (Stable)	09-JUN-2022	[ICRA]A (Stable)	19-OCT-2021	[ICRA]A- (Stable)
				13-MAR-2024	[ICRA]A+ (Stable)	30-AUG-2022	[ICRA]A (Stable)	09-DEC-2021	[ICRA]A- (Stable)
				-	-	16-MAR-2023	[ICRA]A (Stable)	-	-
				-	-	16-MAR-2023	[ICRA]A (Stable)	-	-
Non-convertible debentures	Long term	10.00	[ICRA]A+ (Stable); withdrawn	05-SEP-2023	[ICRA]A (Positive)	04-APR-2022	[ICRA]A- (Stable)	20-MAY-2021	[ICRA]AA(CE); withdrawn
				28-FEB-2024	[ICRA]A+ (Stable)	04-APR-2022	[ICRA]A- (Stable)	12-OCT-2021	[ICRA]A- (Stable)
				28-FEB-2024	[ICRA]A+ (Stable)	09-JUN-2022	[ICRA]A (Stable)	19-OCT-2021	[ICRA]A- (Stable)
				13-MAR-2024	[ICRA]A+ (Stable)	30-AUG-2022	[ICRA]A (Stable)	09-DEC-2021	[ICRA]A- (Stable)
				-	-	16-MAR-2023	[ICRA]A (Stable)	-	-
				-	-	16-MAR-2023	[ICRA]A (Stable)	-	-
Long-term market linked debenture	Long term	60.00	PP-MLD[ICRA]A+ (Stable); withdrawn	05-SEP-2023	PP-MLD[ICRA]A (Positive)	04-APR-2022	PP-MLD[ICRA]A- (Stable)	22-OCT-2021	PP-MLD[ICRA]A- (Stable)
				28-FEB-2024	PP-MLD[ICRA]A+ (Stable)	09-JUN-2022	PP-MLD[ICRA]A (Stable)	09-DEC-2021	PP-MLD[ICRA]A- (Stable)
				13-MAR-2024	[ICRA]A+ (Stable)	30-AUG-2022	PP-MLD[ICRA]A (Stable)	09-DEC-2021	PP-MLD[ICRA]A- (Stable)
				-	-	16-MAR-2023	PP-MLD[ICRA]A (Stable)	-	-
Long-term term loan – Fund based	Long term	500.00	[ICRA]A+ (Stable)	05-SEP-2023	[ICRA]A (Positive)	30-AUG-2022	[ICRA]A (Stable)	-	-
				28-FEB-2024	[ICRA]A+ (Stable)	16-MAR-2023	[ICRA]A (Stable)	-	-
				13-MAR-2024	[ICRA]A+ (Stable)	-	-	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture (NCD; INE192U07293, INE192U07335, INE192U07343, yet to be placed)	Very simple
Non-convertible debenture (NCD; INE192U07210, INE192U07236, INE192U07301)	Simple
LT market-linked debenture (MLD)	Moderately complex
Term loan	Simple
Fund-based/Non-fund based – Others	Simple

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[^]

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE192U07293	NCD	Mar-30-2022	8.71%	Sep-30-2024	10.00	[ICRA]A+ (Stable); withdrawn
INE192U07210	NCD	Sep-20-2021	HDFC Bank MCLR rate linked	Mar-20-2025	25.00	[ICRA]A+ (Stable)
INE192U07301	NCD	May-09-2022	10.60%	May-09-2025	30.00	[ICRA]A+ (Stable)
INE192U07236	NCD	Sep-23-2021	Repo rate linked	Sep-23-2025	20.00	[ICRA]A+ (Stable)
INE192U07335	NCD	Mar-24-2023	9.74%	Dec-23-2025	125.00	[ICRA]A+ (Stable)
INE192U07343	NCD	Mar-05-2024	9.75%	Mar-05-2026	100.00	[ICRA]A+ (Stable)
NA	NCD*	NA	NA	NA	15.00	[ICRA]A+ (Stable)
INE192U08051	Long-term MLD	Sep-27-2021	BSE Sensex 30 linked	Oct-31-2024	30.00	PP-MLD[ICRA]A+ (Stable); withdrawn
INE192U07285	Long-term MLD	Dec-20-2021	G-Sec linked	Jun-20-2024	30.00	PP-MLD[ICRA]A+ (Stable); withdrawn
NA	Term loan - 1	Oct-10-2023	NA	Oct-31-2027	78.26	[ICRA]A+ (Stable)
NA	Term loan - 2	Oct-16-2023	NA	Oct-30-2028	42.08	[ICRA]A+ (Stable)
NA	Term loan - 3	Sep-20-2023	NA	Dec-27-2027	73.57	[ICRA]A+ (Stable)
NA	Term loan - 4	Aug-01-2023	NA	Aug-31-2028	40.35	[ICRA]A+ (Stable)
NA	Term loan - 5	Feb-06-2024	NA	Feb-25-2028	33.33	[ICRA]A+ (Stable)
NA	Term loan - 6	Mar-05-2024	NA	Mar-01-2028	39.84	[ICRA]A+ (Stable)
NA	Term loan - 7	May-15-2024	NA	Mar-31-2027	24.17	[ICRA]A+ (Stable)
NA	Term loan - 8	Mar-28-2024	NA	Apr-07-2028	41.10	[ICRA]A+ (Stable)
NA	Bank line - 1	NA	NA	NA	200.00	[ICRA]A+ (Stable)
NA	Bank line - 2	NA	NA	NA	137.50	[ICRA]A+ (Stable)
NA	Proposed term loans	NA	NA	NA	127.30	[ICRA]A+ (Stable)
NA	Long-term fund based/Non-fund based – Others	NA	NA	NA	1,162.50	[ICRA]A+ (Stable)

Source: KFIL, ICRA Research

* Yet to be placed; ^ As on October 31, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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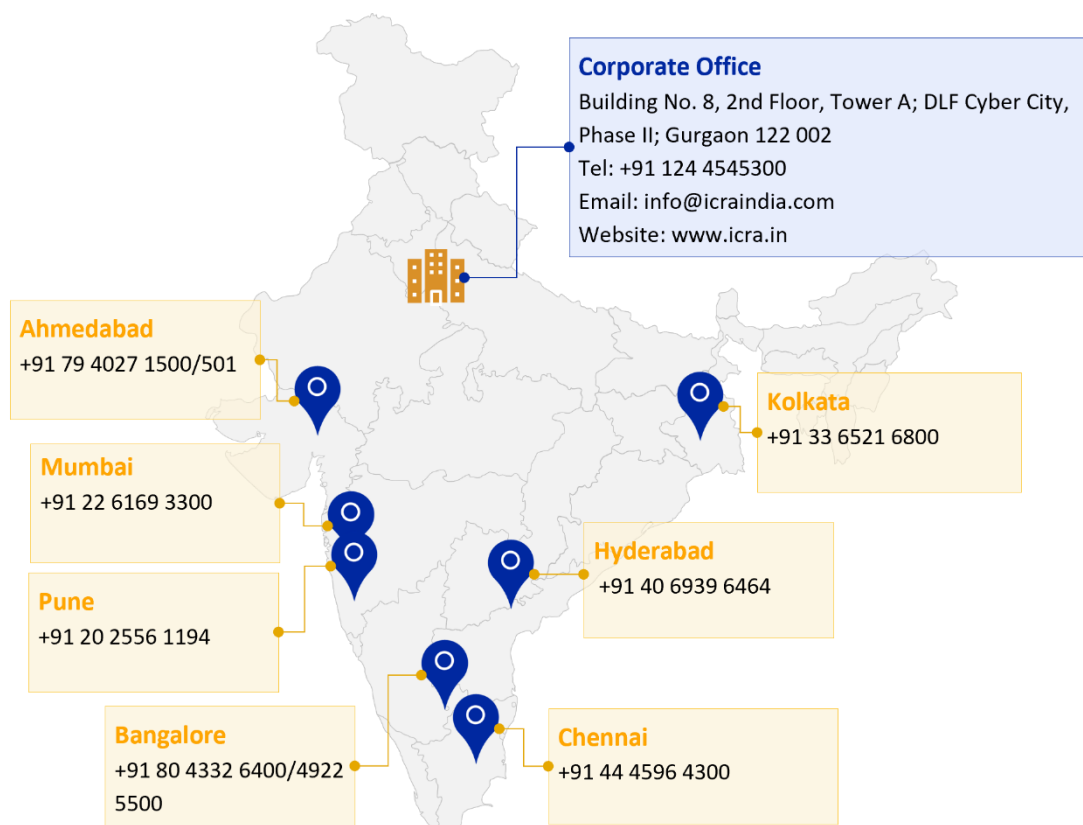
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