

March 27, 2025

Kogta Financial India Limited: Provisional [ICRA]AA+(SO) assigned to Series A PTC backed by a pool of vehicle loan receivables issued by Florida 03 2025

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Florida 03 2025	Series A PTC	45.08	Provisional [ICRA]AA+(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of vehicle loan receivables originated by Kogta Financial India Limited {Kogta/Originator; rated [ICRA]A+(Stable)} with an aggregate principal outstanding of Rs. 49.27 crore (pool receivables of Rs. 61.70 crore). Kogta would be the servicer for the rated transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100.00% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A PTC principal.

If the portfolio at risk (PAR) 90 of the pool exceeds 5.00% of the initial principal outstanding and/or If the rating of the Series A PTC falls below AA+ (SO), then the EIS shall be utilised towards the repayment of the principal payout to the Series A investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 2.46 crore, to be provided by the Originator, (ii) principal subordination of 8.50% of the initial pool principal for Series A1 PTC and (iii) the EIS of 16.01% of the initial pool principal for Series A PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement: The pool is granular, consisting of 1,599 contracts, with top 10 contracts forming less than ~7% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, cash collateral (CC) and excess interest spread (EIS) would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool: The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, ~92% of the pool has contracts which have never been delinquent, which is a credit positive.

Healthy bureau score of borrowers: In the pool, around 75% of the borrowers have a CIBIL score above 700, which reflects their relatively better credit profile.

Adequate servicing capability of the originator – Kogta has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated long track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Rajasthan, Madhya Pradesh and Maharashtra, contributing ~84% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation 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 assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~5.00 times the estimated loss in the pool.

Rating sensitivities

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

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Kogta's loan portfolio till December 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Kogta Financial India Limited (Kogta), incorporated in 1996, is an NBFC, which primarily finances new and used commercial vehicles, multi-utility vehicles, cars, tractors and Construction Equipment. It also provides MSME loans and loan against property (LAP). The company is headquartered in Jaipur and operates through a network of more than 250 branches (as on September 30, 2024) spread across Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi NCR, Punjab & Haryana, Uttar Pradesh & Chhattisgarh.

Following the equity infusion in June 2024, the promoter group, viz. the Kogta family, holds a 30.22% equity stake (including warrants) in the company on a fully-diluted basis, while the balance is held by Ontario Limited (22.95%), Multiples Private Equity (12.31%), Creador Advisors India LLP (12.04%), Morgan Stanley Private Equity Asia (10.75%) and Javelin Investments (7.7%).

Key financial indicators (audited)

Kogta Financial (India) Limited	FY2023	FY2024	9MFY2025*
Total income	522	770	703
PAT	86	141	96
Total Managed Assets	4,419.9	6,075.5	7,279.02
Gross NPA	3.3%	2.6%	3.7%
CRAR	34.1%	27.1%	36.1%

Source: Company, ICRA Research; *Provisional; Amounts in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Current amount rated (Rs. Crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				March 27, 2025	-	-	-
Florida 03 2025	Series A PTC	45.08	45.08	Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A PTC	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 Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Florida 03 2025	Series A PTC	March 28, 2025	8.70%	May 19, 2029	45.08	Provisional [ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Branches



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