

April 25, 2024

## Kogta Financial India Limited: Rating confirmed as final for SNs backed by vehicle loan receivables issued by Bali 01 2024

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Bali 01 2024	Series A1 SN	119.57	[ICRA]AA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In February 2024, ICRA had assigned a provisional rating to Series A1 securitisation notes (SNs) issued by Bali 01 2024 under a securitisation transaction originated by Kogta Financial India Limited {Kogta; rated [ICRA]A+ (Stable)}. The SNs are backed by a pool of vehicle loan receivables originated by Kogta with an aggregate principal outstanding of Rs 131.39 crore (pool receivables of Rs 165.65 crore). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the March 2024 payouts is shown in the table below.

Parameter	Bali 01 2024
Months post securitisation	2
Pool amortisation	9.2%
Series A1 SNs amortisation	10.2%
Cumulative collection efficiency	96.9%
Cumulative Prepayment rate	2.5%
Loss-cum-0+ dpd	5.4%
Loss-cum-30+ dpd	1.0%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation	0.0%

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of overcollateralisation, EIS and cash collateral.
- Absence of overdue contracts as on cut-off date.
- More than 66% of the contracts in the initial pool have a bureau score of atleast 700 at the time of onboarding

#### Credit challenges

- High geographical concentration with top three regions comprising of ~72% of the initial pool principal.
- Performance of the pool could remain exposed to macro-economic shocks / business disruptions, if any

## Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to Series A1 SN at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 SN is promised on each payout date only to the extent of 91% of the billed pool principal amount for each month. The balance 9% is expected to be paid monthly but is not promised.

During the tenure of Series A1 SN, the collections from the pool, after making the promised payouts to Series A1 SN, will be used to make the expected principal payouts to Series A1 SN, though a portion of the monthly principal payout (9%) is not promised and any shortfall in making the expected principal payment to Series A1 SN would be carried forward to the subsequent payout. The EIS available after meeting the promised and expected scheduled payments, as given above, will be paid to the equity tranche as interest payment on a monthly basis. The first line of support for Series A1 SN in the transaction is in the form of a subordination of 9.00% of the initial pool principal. Further support is available in the form of the EIS of 15.33% of the initial pool principal. A CC of 5.00% of the initial pool principal provided by Kogta acts as further CE in the transaction. In the event of a shortfall in meeting the promised payouts during any month, the trustee will utilise the CC to meet the same.

The pool consists of loans with a moderate weighted average seasoning of 14.0 months and no overdue contracts as on the pool cut-off date. The initial pool had a mix of used and new vehicle loans in the ratio of 89:11. The pool consisted of car (22.4%); commercial vehicles (CVs; 48.5%), construction equipment (2.3%), and tractor (26.8%) loans as on the cut-off date. The weighted average loan-to-value (LTV) of the pool was 78.3% as on the cut-off date. The pool is also geographically concentrated with the top state, i.e. Gujarat, accounting for 26.3% of the initial pool principal. ICRA notes that the performance of the pool would be exposed to macro-economic shocks/business disruptions.

## 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.

For the current pool, after adjusting for the key features like seasoning, overdues, LTV, initial loan tenure and geographical distribution separately for each asset class in the pool, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 4.0-5.0%, with certain variability around it. The variability is based on the static pool analysis of Kogta's portfolio for each asset class in the pool as well as ICRA's observation on the performance of the respective asset class for other originators. ICRA's estimation of the variability also considers Kogta's relatively moderate track record. The average prepayment rate for the underlying pool is estimated to be in the range of 4.8% to 18.0% per annum.

## Liquidity position: Strong

The liquidity for Series A1 SN is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 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 (CE).

**Negative factors** – Pressure on the rating could emerge on the sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and CE utilisation 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 Trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### About the originator

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 (FY2025)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Apr 25, 2024	Feb 01, 2024	-	-
<b>Bali 01 2024</b>	Series A1 SN	119.57	119.57	[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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>Bali 01 2024</b>	Series A1 SN	January 2024	9.20%	June 2028	119.57	[ICRA]AA(SO)

\* Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable

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## 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.

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For more information, visit [www.icra.in](http://www.icra.in)

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