



SMERA RATINGS LIMITED

Kogta Financial (India) Limited (KFIL)

Rating Rationale

March 23, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit I	25.00	SMERA BBB-/Stable (Assigned)
Cash Credit II	10.00	SMERA BBB-/Stable (Assigned)
Cash Credit III	15.00	SMERA BBB-/Stable (Assigned)
Fixed Deposits	6.00	SMERA FB+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.50.00 crore bank facilities of Kogta Financial (India) Limited (KFIL). The outlook is '**Stable**'. SMERA has also assigned a rating of '**SMERA FB+**' (read as **SMERA F B plus**) to the Rs.6.00 crore fixed deposits issued by KFIL. The ratings draw comfort from the company's healthy financial profile and diversified funding sources. The ratings also draw comfort from the company's strong risk management systems and experienced management. However, the ratings are constrained by the small size of the company's loan book. The ratings factor in the adverse impact of RBI's new guidelines for NBFCs.

KFIL, incorporated in 1996, is a Jaipur-based deposit taking non-banking finance company (NBFC-D) engaged in financing of commercial vehicles, cars and two-wheelers. KFIL's healthy financial profile is reflected in net interest margin of 13.70 per cent and return on assets of 5.95 per cent in FY2013-14 (refers to financial year, April 01 to March 31). KFIL has healthy asset quality with gross non-performing assets (GNPAs) of 0.81 per cent and net non-performing assets (NPAs) of 0.73 per cent as on December 31, 2014. The company has consistently maintained GNPAs below the level of 1 per cent over the past five financial years.

KFIL has a well-diversified borrowing mix which includes cash credit facilities from banks, working capital term loans from NBFCs and low-cost fixed deposits from public. KFIL's gearing (debt-equity ratio) is low at 2.00 times as on December 31, 2014.

KFIL has developed a customized proprietary risk management and reporting software for achieving greater operational efficiency. The company has defined policies for various processes such as disbursement, underwriting and collection. KFIL's management is inclined to make sustained investment towards building strong systems and process.

KFIL has a small-sized loan portfolio of Rs.75.55 crore as on December 31, 2014. Although KFIL's loan portfolio has grown at a healthy five-year compound annual growth rate (CAGR) of 62.24 per cent, the company's ability to register strong and sustained growth while maintaining healthy financial is a key monitorable.

SMERA believes KFIL's financial profile will be adversely affected by RBI's new guidelines (announced in November 2014), which propose stricter bad asset recognition norms, higher provisioning and minimum capital requirement norms for NBFCs.

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Outlook:Stable

SMERA believes KFIL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its diversified asset book and resource profile, healthy asset quality, and strong processes and systems. The outlook may be revised to 'Positive' in case the company registers sustained growth in advances while achieving geographical diversification and maintaining healthy financial profile. The outlook may be revised to 'Negative' in case of deterioration in the company's asset quality and profitability.

About the company

KFIL, established in 1996, is a Jaipur-based deposit-accepting non-banking finance company (NBFC-D) promoted by members of the Kogta family. KFIL is engaged in financing of commercial vehicles, cars and two-wheelers. The company operates in Rajasthan and Gujarat.

For FY2013-14, KFIL reported profit after tax (PAT) of Rs.2.80 crore on total income of Rs.10.23 crore, as compared with PAT of Rs.2.32 crore on total income of Rs.7.31 crore in the previous year. The company reported PAT of Rs.2.16 crore on total income of Rs.11.71 crore during April 2014 to December 2014. KFIL's net worth stood at Rs.25.75 crore as on December 31, 2014.

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