

March 18, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit I	20.00	SMERA BBB-/Positive (Rating Reaffirmed; outlook revised from Stable)
Cash Credit II	30.00	SMERA BBB-/Positive (Rating Reaffirmed; outlook revised from Stable)
Demand Loan	5.00	SMERA BBB-/Positive (Assigned)

SMERA has assigned a long-term rating of **SMERA BBB- (read as SMERA triple B minus)** on the Rs.5.00 crore bank facility and reaffirms the rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs.50.00 crore bank facilities of Kogta Financial (India) Limited (KFIL). The outlook is revised to '**Positive**' from '**Stable**'.

The revision in outlook is driven by expected significant improvement in the assets under management (AUM) while maintaining comfortable capital adequacy ratios and moderate asset quality.

The ratings continue to draw comfort from the company's healthy financial risk profile and diversified funding. SMERA also notes the strong risk management system and experienced management. However, the aforementioned strengths are partially offset by company's exposure to revision in the NBFC (non banking financial companies) guidelines in the highly competitive financing industry.

Update

The interest income of KFIL increased to Rs.15.86 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.10.23 crore in FY2013-14 on account of increase in (AUM) by 75 per cent to Rs.94.09 crore in FY2014-15 from Rs.53.79 crore during the previous year. The company's net worth improved to Rs.25.98 crore in FY2014-15 against Rs.22.34 year in FY2013-14 mainly due to ploughing back of profits. As per the provisional financials of nine months ended December 2015, the company's AUM touched Rs.131.06 crore, translating into interest income of Rs.17.16 crore.

While KFIL's Return On Total Assets (ROTA) declined, it remained healthy at 3.83 per cent in FY2014-15 in comparison to 5.95 per cent in FY2013-14. The cost of borrowings was dearer at 12.91 per cent in FY2014-15 against 11.05 per cent during the previous year resulting in a positive impact on the net interest income.

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Outlook: Positive

SMERA believes that the outlook on KFIL's rated facilities will be 'Positive' over the medium term owing to the improved AUM and comfortable Capital to Risk Asset Ratio (CRAR). The ratings may be upgraded in case the company achieves sustainable improvement in AUM while maintaining its asset quality and capitalisation levels. Conversely, the outlook may be revised to 'Stable' in case of lower than expected AUM and interest income, deterioration in the asset quality or higher than expected debt intake.

Rating Sensitivity Factors

- Improving the scale of operations while maintaining the asset quality and regulatory requirements
- Efficient asset liability management
- Geographical diversification of loan portfolio
- Revision in RBI guidelines

About the Company

KFIL, incorporated in 1996 by the Kogta family, is a Rajasthan-based financial institution that finances commercial and passenger vehicles and two-wheelers. The corporate office of the company is located at Jaipur.

KFIL reported profit after tax (PAT) of Rs.2.98 crore on interest income of Rs.15.86 crore for FY2014-15 as compared to PAT of Rs.2.80 crore on interest income of Rs.10.23 crore. The loan portfolio for FY2014-15 stood at Rs.94.09 crore compared to Rs.53.79 crore for the previous year. The net worth stood at Rs.25.98 crore as on March 31, 2015, as against Rs.22.34 crore a year earlier.

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