

Kogta Financial (India) Limited: Reaffirmed

| Facilities | Amount (Rs. Crore) | Rating/Outlook |
|------------------|--------------------|----------------------------------|
| Cash Credit - I | 20.00 | SMERA BBB-/Positive (Reaffirmed) |
| Cash Credit - II | 30.00 | SMERA BBB-/Positive (Reaffirmed) |
| Demand Loan | 5.00 | SMERA BBB-/Positive (Reaffirmed) |
| Fixed Deposits | 6.00 | SMERA FB+ (Withdrawn) |

SMERA has reaffirmed long-term rating of **SMERA BBB- (read as SMERA triple B minus)** on the Rs.55.00 crore bank facilities of Kogta Financial (India) Limited (KFIL). The outlook continues to remain '**Positive**'. SMERA has also withdrawn rating of '**SMERA FB+** (read as SMERA F B plus)' on the Rs.6.00 crore fixed deposits on account of non-existence of fixed deposits from public as on March 31, 2016. Further, the company has changed its structure to non-deposit taking non banking financial company (NBFC-ND) from deposit taking non banking financial company (NBFC-D) in May 2016.

The ratings continue to draw comfort from the 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 the 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.25.50 crore in FY2015-16 (refers to financial year, April 01 to March 31) from Rs.15.86 crore in FY2014-15 on account of increase in (AUM) by 58 per cent to Rs.148.81 crore in FY2015-16 from Rs.94.09 crore during the previous year. The net worth improved to Rs.28.51 crore in FY2015-16 against Rs.25.98 year in FY2014-15 mainly due to ploughing back of profits.

While KFIL's Return On Total Assets (ROTA) declined, it remained healthy at 2.01 per cent in FY2015-16 in comparison to 3.05 per cent in FY2014-15. The cost of borrowings was dearer at 13.25 per cent in FY2015-16 against 12.91 per cent during the previous year resulting in a positive impact on the net interest income.

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 if the company receives funds from private equity as expected and sustains improvement in AUM while maintaining asset quality and capitalisation levels. Conversely, the outlook may be revised to 'Stable' in case of lower than expected interest income or deterioration in the overall financial risk profile.

Rating Sensitivity Factors

- Infusion of private equity
- Improvement in scale of operations while maintaining asset quality and regulatory requirements
- Efficient asset liability management

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.3.11 crore on interest income of Rs.25.50 crore for FY2015-16 as compared to PAT of Rs.2.98 crore on interest income of Rs.15.86 crore. The loan portfolio for FY2015-16 stood at Rs.148.81 crore compared to Rs.94.09 crore for the previous year. The net worth stood at Rs.28.51 crore as on March 31, 2016, as against Rs.25.98 crore a year earlier.

Rating History

| Date | Name of the Instruments | Amount (Rs. Crore) | Ratings | | Outlook |
|----------------|-------------------------|-----------------------|----------------------------|------------|-----------------------------------|
| | | | Long Term | Short Term | |
| 18 March, 2016 | Cash Credit- I | 20.00 | SMERA BBB- (Reaffirmed) | - | Positive (revised from Stable) |
| | Cash Credit -II | 30.00 | SMERA BBB- (Reaffirmed) | - | Positive (revised from Stable) |
| | Demand Loan | 5.00 | SMERA BBB- (Assigned) | - | Positive |
| 23 March, 2015 | Cash Credit- I | 25.00 | SMERA BBB- (Assigned) | - | Stable |
| | Cash Credit -II | 10.00 | SMERA BBB- (Assigned) | - | Stable |
| | Cash Credit -III | 15.00 | SMERA BBB- (Assigned) | - | Stable |
| | Demand Loan | 6.00 | SMERA FB+ (Assigned) | - | - |

Contacts:

| Analytical | Business Development |
|--|--|
| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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