

CARE/JRO/RL/2019-20/1747/1

Mr. Rajendra Setia

Managing Director

Ess Kay Fincorp Ltd.

G-1 &2, New Market Khasa Kothi Circle,
Jaipur – 302 006

March 24, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

This has reference to your letter dated – on the above subject.

2. In this connection, we invite your attention to our rating letter no. CARE/JRO/RL/2019-20/1747 dated December 30, 2019 (enclosed as **Annexure – I**) revising the rating from ‘CARE A-; Positive (Single A Minus; Outlook: Positive)’ to ‘CARE A; Stable’ (Single A; Outlook: Stable) to the long-term bank facilities of your company.
3. The above rating is valid for the facilities, as updated in **Annexure - II**.
4. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instruments, CARE shall carry out the review on the basis of best available information throughout the life time of such instruments. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
5. All the other clauses vide our letter dated December 30, 2019 would continue to apply for the above rating.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,

Page 1 of 20
CARE Ratings Ltd.



(Yateesh Juneja)

Deputy Manager

yatesh.juneja@careratings.com

Encl.: As above



(Anurag Jain)

Manager

anurag.jain@careratings.com

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure – I



CARE/JRO/RL/2019-20/1747

Mr Rajendra Setia
Managing Director
Ess Kay Fincorp Ltd.
G-1 &2, New Market
Khasa Kothi Circle Jaipur – 302 006

December 30, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (Audited) and H1FY20 (Provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term bank facilities	367.22	CARE A; Stable (Single A; Outlook:Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook:Positive)
Total	367.22 (Rupee Three Hundred Sixty Seven crore and Twenty two lakh only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 03, 2020, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road,
Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
Tel.: +91-22-6754 3456 • Fax: +91-22-6754 3457
Email: care@careratings.com • www.careratings.com

Page 1 of 16
CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

301, 304, Pashupati Akshat Heights,
D-91, Madhosingh Road, Nr. Collectorate Circle,
Bani Park, Jaipur - 302 016
Tele: +91-141-4020213-214

CIN-L67190MH1993PLC071691


5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



[Yateesh Juneja]
Deputy Manager
yateesh.juneja@careratings.com



[Anurag Jain]
Manager
anurag.jain@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it

Page 2 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tel: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

AS
g

Annexure 1
Details of Rated Facilities

Details of Rated Facilities

A-1 Details of Bank Facilities

1. Long term bank facilities

1.A. Term Loans (Secured rupee term loans)

(Rs. Crore)

Sr. no.	Name of bank	Amt.* (Rs. Cr.)	Remarks
1	HDFC Bank Ltd.	2.79	To be repaid in 36 equal monthly installments
2	HDFC Bank Ltd.	7.27	Repayable in 36 equal monthly installments
3	HDFC Bank Ltd.	13.45	Repayable in 36 equal monthly installments
4	HDFC Bank Ltd.	25.00	Repayable in 36 equal monthly installments
5	Karnataka Bank Ltd.	1.64	To be repaid in 12 quarterly installment commencing from May, 2017
6	South Indian Bank Ltd.	1.33	To be repaid in 15 quarterly installments from August, 2016
7		5.25	16 quarterly equal installment of Rs.0.75 crore each
8	Tamiland Mercantile Bank	0.28	To be repaid in 36 equal monthly installments after 6 months of moratorium from the date of first disbursement
9	Oriental Bank of Commerce	4.16	Repayable in 12 quarterly installments after a moratorium of 6 months from the date of first disbursement.
10	DCB Bank Ltd.	1.32	Repayable in 36 equal monthly installments commencing from August, 2016
11	DCB Bank Ltd.	6.88	Repayable in 35 equal monthly installments of Rs.0.36 crore while last installment (36 th) of Rs.0.40 crore
12	Yes Bank	11.77	Repayable in 24 equal months starting at the end of months of each disbursement date
13	Axis Bank	10.53	Repayable in 12 quarterly installments of Rs.2.083 crore after moratorium of 6 months
14	RBL Bank Ltd.	5.50	Repayable in 30 equal monthly installments
15	RBL Bank Ltd.	15.43	Repayable in 36 equal monthly installments
16	RBL Bank Ltd.	32.00	Repayable in 36 equal monthly installments
17	Andhra Bank	6.25	Repayable in 36 equal monthly installments after moratorium period of 3 months
18	Vijaya Bank	3.42	Door to door repayment of 5 year including moratorium period of 6 months
19	IndusInd Bank	14.83	Repayable in 36 equal monthly installments
20	IndusInd Bank	13.97	Repayable in 48 equal monthly installments
21	Utkarsh Small Finance Bank	13.33	Repayable in 12 quarterly installment after moratorium period of 3 months

Page 4 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tele: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 6 of 20

CARE Ratings Ltd.

Sr. no.	Name of bank	Amt.* (Rs. Cr.)	Remarks
22	Proposed	46.82	-
	Total LT	243.22	-

*Outstanding as on March 31, 2019

1.B Fund based working capital limits

(Rs. crore)

Sr. no.	Name of bank	Type of facility	Amount
1	Bank of Maharashtra	Cash Credit	4.50
2	Bank of Maharashtra	WCDL	10.50
3	SBI	Cash Credit	6.00
4	SBI	WCDL	39.00
5	RBL Bank Ltd.	Cash Credit	5.00
6	HDFC Bank	Cash Credit	10.00
7	Axis Bank Ltd.	Cash Credit	5.00
8	Tata Financial Services Ltd.	WCDL	10.00
9	Proposed	Cash Credit	34.00
	Total		124.00

Total long term bank facilities (1.A. + 1.B.): Rs.367.23 crore

AJ
g

Annexure 2
Press Release
Ess Kay Fincorp Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	367.22	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Long-term Facilities (Tier II)	20.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Total Facilities	387.22 (Rupees Three Hundred Eighty Seven crore and Twenty Two lakh only)		
Non-Convertible Debenture issue (unsecured) (INE124N08034)	20.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Non-Convertible Debenture issue (Tier II) (INE124N08042)	20.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Principal Protected- Market Linked Debenture (INE124N08067)	25.00	CARE PP-MLD A; Stable (Principal Protected Market Linked Debenture Single A; Outlook: Stable)	Revised from CARE A-; Positive (Principal Protected Market Linked Debenture Single A Minus; Outlook: Positive)
Principal Protected Market Linked Debentures (PP-MLD) (INE124N07077)	7.51	CARE A; Stable (Principal Protected Market Linked Debenture Single A; Outlook: Stable)	Revised from CARE A-; Positive (Principal Protected Market Linked Debenture Single A Minus; Outlook: Positive)
Principal Protected Market Linked Debentures (PP-MLD) (INE124N07127)	25.00	CARE A; Stable (Principal Protected Market Linked Debenture Single A; Outlook: Stable)	Revised from CARE A-; Positive (Principal Protected Market Linked Debenture Single A Minus; Outlook: Positive)
Non-Convertible Debenture issue (INE124N07242)	50.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Total Long term Instrument	147.51 (Rupees One Hundred Forty Seven Crore and Fifty One Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of the bank facilities/instruments of Ess Kay Fincorp Limited (Ess Kay) is mainly on account of equity infusion of Rs.235.00 crore by the existing private equity investors in November 2019 which has led to

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Page 6 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tel: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 8 of 20

CARE Ratings Ltd.

augmentation in its net-worth and capitalization level. Further, revision in the rating also takes cognizance of growth in its scale of operations along with increased geographical diversification in FY19 (refers to the period April 1 to March 31) and H1FY20.

The rating continues to take into account growth in its loan portfolio with broader resource base; albeit increase in average cost of borrowings in FY19, its adequate liquidity, gradual product diversification over the years and scale of operations. The rating also continues to derive strength from long-standing track record of Ess Kay in the commercial vehicle (CV) financing segment, adequate internal control, Management Information System (MIS) and secured nature of business.

The rating, however, continues to be constrained by its regional concentration, moderate seasoning of loan portfolio and its moderate asset quality.

Rating Sensitivities

Positive Factor

- Diversification in terms of geography and resource base along with improvement in asset quality and profitability.
- Significant growth in loan portfolio along with adequate portfolio seasoning.

Negative Factor

- Deterioration in profitability – ROTA declining below 1.5%
- ALM position shows negative mismatches exceeding RBI regulatory norms
- Deterioration in asset quality – AUM (90+ dpd) more than 6.00%
- Overall gearing exceeding 5 times

Detailed description of the key rating drivers

Key Rating Strengths

Established track record of operations with experienced management: Ess Kay has long track record of over two decades in vehicle financing. Mr. Rajendra Setia, promoter and MD of the company has vast experience of more than 20 years in finance sector especially vehicle financing. Further, Ess Kay has experienced board members who have relevant experience in the finance industry. Over a period of time, Ess Kay has built an active large customer base of 1,16,529 as on March 31, 2019 leading to substantial repeat business with less effort. Also, it has built decent employee strength of 2,553 including professional team of top management with 262 branches in six states viz. Rajasthan, Gujarat, Punjab, Maharashtra, Haryana and Madhya Pradesh as on March 31, 2019.

Secured nature of business: Ess Kay is primarily into financing of commercial vehicle, Car, SME (mortgage) lending, Two wheelers and Tractor for which company takes either the vehicle or property as mortgage. Ess Kay's target segment includes middle class and lower middle class segments in the urban, semi urban and fast growing rural geographies, regions of various cities/towns, which, however is characterized by marginal credit profile of the borrowers leading to its asset class becoming prone to slippages. However, Ess Kay has well-developed and adequate credit appraisal processes and risk management systems to contain the slippages to some extent.

Adequate internal control and MIS system: Ess Kay has purchased and installed advance MIS software named 'Fin one neo' from Nucleus Software during FY18 which provides advance system of monitoring the operations at field even through smart phones. Ess Kay has an established monitoring structure for overseeing its operations including area-wise, product-wise and sales executive-wise. It has defined credit appraisal, collection and monitoring systems including profile of clients, outer limit of loan size, etc. It has implemented specialized software with web based browser and user level restrictions to ensure speedy access to information with data security. Entire loan origination and collection is done in-house leading to healthy interest margin and quality portfolio.

Growth in loan portfolio with broader resource base: Ess Kay's total outstanding AUM (including securitized and assigned portfolio) which increased from Rs.1281.98 crore as on March 31, 2018 to Rs.2001.85 crore as on March 31, 2019, further increased to Rs.2451.31 crore as on September 30, 2019 and Rs.2670.27 crore as on December 25, 2019.

Further, in H1FY20, Ess Kay has adopted IND-AS for the first time which has resulted into increase in share of proportion of own book portfolio in total AUM from 76.41% as on March 31, 2019 to 93.84% as on Sep 30, 2019.

Ess Kay is also gradually increasing its resource base and currently enjoys bank facilities including term loans and working capital limits from 18 banks, thereby having a broad resource base. Apart from accessing bank facilities, Ess Kay has taken loans from 15 financial institutions. Further, Ess Kay has raised debt through various long term debt instruments (NCD issue/Tier II NCD issue/PP-MLD/Partial Guaranteed NCDs/Mutual Funds) during FY19 and H1FY20. Further, Ess Kay has regularly received equity infusion during last 3 years leading to comfortable capitalization. Furthermore, in November 2019, Ess Kay received additional equity infusion of Rs.235 crore from existing private equity investors which is expected to augment its net-worth base (from Rs.606.16 crore as on September 30, 2019) while improving capital adequacy and providing additional funds for disbursements.

Improvement in overall gearing and CAR: Overall gearing has improved from 4.50 times as on March 31, 2018 to 2.38 times as on March 31, 2019, although overall gearing again increased to 3.43 times as on September 30, 2019 (on the basis of IND-AS) mainly on account of inclusion of securitized portion of loan portfolio in own book. Also, adjusted gearing (considering assigned portfolio as a part of debt excluding Direct Assignment and retained portion of assigned portfolio) has improved from 5.44 times as on March 31, 2018 to 2.81 times as on March 31, 2019 mainly due to equity infusion during FY19. Further, CAR has also improved from 20.46% as on March 31, 2018 to 33.02% as on March 31, 2019, while the overall CAR stood at 24.75% as on September 30, 2019. During FY19, Ess Kay has received equity of Rs.281.18 crore from private equity investors (TPG capital (Rs.173.21 crore) and existing partners of Rs.107.97 crore) on October 31, 2018. The promoter also infused funds to the tune of Rs.18.82 crore in August, 2018. Further in November 2019, Ess Kay received equity infusion of Rs.235.00 crore from existing private equity partners (TPG – Rs.142 crore; Evolve Invest – Rs.25 crore and Norwest Venture Partners – Rs.68 crore).

Improvement in profitability: With the building up of own-book loan portfolio as well as improvement in yield on its portfolio, NIM of the company has gradually improved. Further, average yield on portfolio i.e. Interest Income/Average Loan portfolio has improved in FY19 by 150 bps to 23.13% mainly on account of securitization of large chunk of portfolio in Q4FY19 leading to decline in own book portfolio. Interest spread has also increased due to increase in average yield; however, it was partially offset by increase in average cost of borrowing i.e. Interest Expenses/Average borrowed fund, ratio by 78 bps in FY19 as compared to FY18. NIM on own book has improved from 8.30% in FY18 to 9.92% during FY19 on account of increase in average yield on portfolio. Further, ROTA has also improved from 2.28% during FY18 to 3.33% in line with improvement in NIM during FY19. Further, ROTA stood at 2.61 (Annualized) during H1FY20 (based on IND AS). With growth in scale of operations the company was able to get the benefits of economies of scale marked by improvement in Operating Expenses/Average Total Asset by 170 bps to 7.78% in FY19 though the same is offset by increase in provisioning and write-offs.

Adjusted NIM (considering assigned portfolio as a part of total assets as Ess Kay's income also includes income from the assigned portfolio) has also improved from 9.69% during FY18 to 10.20% during FY19. Further, adjusted ROTA has also improved in line with Adj. NIM to 2.94% during FY19 from 1.92% during FY18.

Liquidity - Adequate: Liquidity position of Ess Kay as on September 30, 2019 was comfortable with no negative cumulative mismatches up-to one year time buckets. Ess Kay has total debt repayment of Rs.431.50 crore in FY20 against which it had free cash and cash equivalent (unencumbered FDRs/Mutual funds) of Rs.280.15 crore as on March 31, 2019 and Rs.332.80 crore as on September 30, 2019. Further, average CC limit utilization for past 12 months ending September 2019 stood at 55% which also provides liquidity cushion. Further, Ess Kay has raised around Rs.600 crore through NCD issues in 8MFY20 and has continuously raised funds through securitization and direct assignment of the portfolio in the past three years; and has thus demonstrated its ability to raise funds from this route. Further, Ess Kay has sanctioned bank facilities of Rs.210 crore but not yet availed as on December 26, 2019 providing additional cushion to its liquidity.

AF
9

Page 8 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tele: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 10 of 20

CARE Ratings Ltd.

Key Rating Weaknesses

Geographical concentration of operations; albeit gradual product diversification: The operations of Ess Kay are majorly spread across Gujarat and Rajasthan in FY19. Ess Kay has started its operations in Maharashtra, Punjab and Madhya Pradesh in FY17 and further in Haryana during FY18 though the portfolio has not increased much there. The loan portfolio is still mainly concentrated in one state i.e. Rajasthan which alone constituted 73% (P.Y.: 76%) of total outstanding AUM as on March 31, 2019 and 73.13% as on September 30, 2019. Ess Kay has geographically diversified its operations in the recent years with 16%, 6%, 3% and 2% portfolio concentration in Gujarat, Madhya Pradesh, Punjab and Maharashtra as on March 31, 2019. However, despite some diversification, there is still high degree of geographical concentration of its operations in Rajasthan. Going forward, the company has plans to extend its business operations in Maharashtra, Punjab, Haryana and Madhya Pradesh in next 18 months to reduce its geographical concentration.

Ess Kay is mainly focused upon used CV as 54% of O/s AUM as on March 31, 2019 belongs to this product category. Further, Ess Kay has gradually diversified its product profile to include Car (14% of O/s AUM), Tractor (18% of O/s AUM) and Two-wheeler (3% of O/s AUM). Of late, the company has diversified its product portfolio by entering into mortgage backed SME lending with asset cover. Ess Kay has disbursed Rs.134.35 crore loan in FY19 and Rs.53.13 crore in H1FY20.

Moderate seasoning of loan portfolio: A large proportion of its loan book was built recently for which the seasoning is moderate. NPA level of the company has been moderate; however the performance of the recently built portfolio needs to be observed in the future. Further, Ess Kay did the assignment of portfolio of Rs.472.16 crore during FY19 which led to decline in seasoned portfolio in its own book. The seasoning of its portfolio is moderate as 42.53% of O/s AUM as on March 31, 2019 is less than 6 months old.

Moderate asset quality: Gross NPA (own book) has deteriorated from 3.37% as on March 31, 2018 (as per 90 days over-dues norm) to 3.83% as on March 31, 2019 mainly on account of securitization of large chunk of portfolio in Q4FY19 leading to decline in own book portfolio. However, Gross NPA (AUM) has improved from 3.29% as on March 31, 2018 to 3.08% as on March 31, 2019. Also, Net NPA to Net-worth stood at 8.03% as on March 31, 2019 as against 12.98% as on March 31, 2018 due to equity infusion in FY19 augmenting the net-worth.

Further, Gross NPA (own book, 90+ dpd, in absolute value) has increased from Rs.34.08 crore in FY18 to Rs.58.60 crore in FY19 and to Rs.97.91 crore as on September 30, 2019. Ess Kay has processes for early detection of delinquency, dedicated team of collection executives, coordination with tele-calling team to collect the EMI's on the field, discontinuation of the products (particular models of CV or car) which were having higher delinquencies, etc. which led to containing of the NPA's of the company. In two-wheeler segment (forms 3.14% of O/s AUM) asset quality has deteriorated from 4.74% as on March 31, 2018 to 6.39% as on March 31, 2019 while in case of CV financing (forms 54% of AUM) asset quality (90+ dpd) has improved from 3.36% as on March 31, 2018 to 2.80% as on March 31, 2019. AUM which is regular/on-time has improved from 66.08% as on March 31, 2018 to 69.38% as on March 31, 2019 and further stood at 67.49% as on September 30, 2019. Further, one year lagged NPA has marginally improved from 5.92% as on March 31, 2018 to 5.80% as on March 31, 2019 leading to stable asset quality on incremental loan portfolio.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Non-banking Financial Companies

Financial Ratios - Financial Sector

Methodology on Market link notes

AP

Page 9 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tel: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 11 of 20

CARE Ratings Ltd.

About the Company

Incorporated in 1994, Ess Kay is a non-deposit taking NBFC operating out of Rajasthan. The company is promoted by Mr Rajendra Setia along with his family members. Ess Kay is operating with 262 branches of which 154 branches are in Rajasthan, 51 branches in Gujarat, 23, 15, 18 & 1 branches in Madhya Pradesh, Punjab, Maharashtra and Haryana respectively as on March 31, 2019. It is primarily engaged in the used vehicle financing including commercial vehicle, multi utility vehicle, car, SME loans, Tractors etc. Ess Kay's total outstanding own portfolio and assigned portfolio stood at Rs.2300.45 crore and Rs.150.86 crore respectively as on Sep 30, 2019 (as per IND-As).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Accounting Policy Followed	I-GAAP	I-GAAP
Total operating income	227.33	364.93
PAT	21.95	52.23
Interest coverage (times)	1.39	1.57
Total Assets*	1176.77	1956.28
Net NPA* (%)	2.59	2.90
ROTA* (%)	2.28	3.33

*considering own book portfolio

During H1FY20 (as per Ind-AS), Ess Kay has earned profit after tax of Rs.28.06 crore on total income of Rs. 257.12 crore.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN Number	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	124.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	04-Nov-22	243.22	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	31-Aug-22	20.00	CARE A; Stable
Debentures-Non Convertible Debentures	INE124N08034	September 29, 2016	13	September 29, 2022	20.00	CARE A; Stable
Non-convertible Subordinate Debenture	INE124N08042	January 31, 2017	13.5	Feb 03, 2023	20.00	CARE A; Stable
Debentures-Market Linked Debentures	INE124N08067	July 12, 2017	Market linked	Jan 12, 2021	25.00	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE124N07077	August 18, 2017	Market linked	Aug 18, 2020	7.51	CARE PP-MLD A; Stable
Debentures-Market Linked Debentures	INE124N07127	May 15, 2018	Market Linked	Nov 12, 2021	25.00	CARE PP-MLD A; Stable
Debentures-Non Convertible Debentures	INE124N07242	December 21, 2018	11.16	March 05, 2024	50.00	CARE A; Stable

8
AT

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	124.00	CARE A+; Stable	1)CARE A+; Positive (16-Aug-19)	1)CARE A+; Stable (20-Dec-18) 2)CARE A+; Stable (12-Nov-18) 3)CARE A+; Stable (02-Jul-18)	1)CARE BBB+; Stable (20-Mar-18) 2)CARE BBB+; Stable (19-Jan-18) 3)CARE BBB+; Stable (06-Nov-17) 4)CARE BBB+; Stable (12-Jul-17) 5)CARE BBB; Stable (04-Apr-17)
2.	Fund-based - LT-Term Loan	LT	243.22	CARE A+; Stable	1)CARE A+; Positive (16-Aug-19)	1)CARE A+; Stable (20-Dec-18) 2)CARE A+; Stable (12-Nov-18) 3)CARE A+; Stable (02-Jul-18)	1)CARE BBB+; Stable (20-Mar-18) 2)CARE BBB+; Stable (19-Jan-18) 3)CARE BBB+; Stable (06-Nov-17) 4)CARE BBB+; Stable (12-Jul-17) 5)CARE BBB; Stable (04-Apr-17)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (04-Apr-17)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (06-Nov-17) 2)CARE BBB; Stable (12-Jul-17) 3)CARE BBB-; Stable (04-Apr-17)
5.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (16-Aug-19)	1)CARE A+; Stable (12-Nov-18)	1)CARE BBB+; Stable (19-Jan-18)

8/AT

Page 11 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tel: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 13 of 20

CARE Ratings Ltd.

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						2)CARE A-; Stable (02-Jul-18)	2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (12-Jul-17) 4)CARE BBB; Stable (04-Apr-17)	16)
6.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (19-Jan-18) 2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (12-Jul-17) 4)CARE BBB; Stable (04-Apr-17)	1)CARE BBB (19-Apr-16)
7.	Fund-based - LT-Term Loan	LT	20.00	CARE A; Stable	1)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB; Stable (19-Jan-18) 2)CARE BBB; Stable (06-Nov-17) 3)CARE BBB; Stable (12-Jul-17) 4)CARE BBB-; Stable (04-Apr-17)	1)CARE BBB- (19-Apr-16)
8.	Debentures-Non Convertible Debentures	LT	20.00	CARE A; Stable	1)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (19-Jan-18) 2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (12-Jul-17) 4)CARE BBB; Stable (04-Apr-17)	1)CARE BBB (10-Oct-16)
9.	Commercial Paper-Commercial Paper	ST	-	-	-	1)Withdrawn (20-Dec-18)	1)CARE A3+ (19-Jan-18)	1)CARE A3+

Page 12 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
 Tele: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 14 of 20

CARE Ratings Ltd.

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
	(Standalone)					2)CARE A2+ (12-Nov-18) 3)CARE A2+ (02-Jul-18)	2)CARE A3+ (06-Nov-17) 3)CARE A3+ (12-Jul-17) 4)CARE A3+ (04-Apr-17)	(13-Dec-16)
10.	Debt-Non-convertible Debenture/Subordinate Debt	LT	20.00	CARE A; Stable	1)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB; Stable (19-Jan-18) 2)CARE BBB; Stable (06-Nov-17) 3)CARE BBB; Stable (12-Jul-17) 4)CARE BBB; Stable (04-Apr-17)	1)CARE BBB-; Stable (08-Feb-17)
11.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (20-Dec-18) 2)CARE A2+ (12-Nov-18) 3)CARE A2+ (02-Jul-18)	1)CARE A3+ (19-Jan-18) 2)CARE A3+ (06-Nov-17) 3)CARE A3+ (12-Jul-17) 4)CARE A3+ (04-Apr-17)	1)CARE A3+ (08-Feb-17)
12.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (19-Jan-18) 2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (12-Jul-17) 4)CARE BBB; Stable (04-Apr-17)	-
13.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (19-Jan-18) 2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (12-Jul-17)	-

9/15

Page 13 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
 Tele: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 15 of 20

CARE Ratings Ltd.

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
							4)CARE BBB; Stable (04-Apr-17)	
14.	Debentures-Market Linked Debentures	LT	25.00	CARE PP- MLD A; Stable	1)CARE PP MLD A-; Positive (16-Aug-19)	1)CARE PP MLD A-; Stable (12-Nov-18) 2)CARE PP MLD A-; Stable (02-Jul-18)	1)CARE PP- MLD BBB+; Stable (19-Jan-18) 2)CARE PP- MLD BBB+; Stable (06-Nov-17) 3)CARE PP- MLD BBB+; Stable (12-Jul-17)	-
15.	Debentures-Market Linked Debentures	LT	7.51	CARE PP- MLD A; Stable	1)CARE PP MLD A-; Positive (16-Aug-19)	1)CARE PP MLD A-; Stable (12-Nov-18) 2)CARE PP MLD A-; Stable (02-Jul-18)	1)CARE PP- MLD BBB+; Stable (19-Jan-18) 2)CARE PP- MLD BBB+; Stable (06-Nov-17) 3)CARE PP- MLD BBB+; Stable (11-Aug-17)	-
16.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Dec-18) 2)CARE A-; Stable (12-Nov-18) 3)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (19-Jan-18) 2)CARE BBB+; Stable (06-Nov-17) 3)CARE BBB+; Stable (11-Aug-17)	-
17.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (06-Dec-19) 2)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18)	1)CARE BBB+; Stable (20-Mar-18)	-
18.	Debentures-Market Linked Debentures	LT	25.00	CARE PP- MLD A; Stable	1)CARE PP MLD A-; Positive (16-Aug-19)	1)CARE PP MLD A-; Stable (12-Nov-18) 2)CARE PP	-	-

9/15

Page 14 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
 Tele: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 16 of 20

CARE Ratings Ltd.

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						MLD A-; Stable (02-Jul-18) 3)CARE PP-MLD BBB+; Stable (16-May-18)		
19.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (02-Jul-18) 3)CARE BBB+; Stable (25-May-18)	-	-
20.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (30-Aug-18)	-	-
21.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (06-Dec-19) 2)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (12-Nov-18) 2)CARE A-; Stable (19-Sep-18)	-	-
22.	Debentures-Non Convertible Debentures	LT	50.00	CARE A; Stable	1)CARE A-; Positive (16-Aug-19)	1)CARE A-; Stable (20-Dec-18)	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Handwritten signature/initials

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact:

Name: Mr. Anurag Jain

Mobile: +91-9586284746

Tel: 0141 – 4020213/214

Email: anurag.jain@careratings.com

Business Development Contact

Name: Mr. Nikhil Soni

Contact no. : +91 – 95490 33222

Email ID: nikhil.soni@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

9/15

Page 16 of 16

CARE Ratings Limited

301, 304, Pashupati Akshat Heights, D-91, Madhosingh Road, Nr. Collectorate Circle, Bani Park, Jaipur - 302 016
Tel: +91-141-4020213-214 • Email: care@careratings.com • www.careratings.com • CIN-L67190MH1993PLC071691

Page 18 of 20

CARE Ratings Ltd.

Annexure - II

Details of Rated Facilities

A-1 Details of Bank Facilities

1. Long term bank facilities

1.A. Term Loans (Secured rupee term loans)

(Rs. Crore)

Sr. no.	Name of bank	Amt.* (Rs. Cr.)	Remarks
1	HDFC Bank Ltd.	2.79	To be repaid in 36 equal monthly installments
2	HDFC Bank Ltd.	7.27	Repayable in 36 equal monthly installments
3	HDFC Bank Ltd.	13.45	Repayable in 36 equal monthly installments
4	HDFC Bank Ltd.	25.00	Repayable in 36 equal monthly installments
5	Karnataka Bank Ltd.	1.64	To be repaid in 12 quarterly installment commencing from May, 2017
6	South Indian Bank Ltd.	1.33	To be repaid in 15 quarterly installments from August, 2016
7		5.25	16 quarterly equal installment of Rs.0.75 crore each
8	Tamiland Mercantile Bank	0.28	To be repaid in 36 equal monthly installments after 6 months of moratorium from the date of first disbursement
9	Oriental Bank of Commerce	4.16	Repayable in 12 quarterly installments after a moratorium of 6 months from the date of first disbursement.
10	DCB Bank Ltd.	1.32	Repayable in 36 equal monthly installments commencing from August, 2016
11	DCB Bank Ltd.	6.88	Repayable in 35 equal monthly installments of Rs.0.36 crore while last installment (36 th) of Rs.0.40 crore
12	Yes Bank	11.77	Repayable in 24 equal months starting at the end of months of each disbursement date
13	Axis Bank Ltd.	10.53	Repayable in 12 quarterly installments of Rs.2.083 crore after moratorium of 6 months
14	RBL Bank Ltd.	5.50	Repayable in 30 equal monthly installments
15	RBL Bank Ltd.	15.43	Repayable in 36 equal monthly installments
16	RBL Bank Ltd.	32.00	Repayable in 36 equal monthly installments
17	Andhra Bank	6.25	Repayable in 36 equal monthly installments after moratorium period of 3 months
18	Vijaya Bank	3.42	Door to door repayment of 5 year including moratorium period of 6 months
19	IndusInd Bank	14.83	Repayable in 36 equal monthly installments
20	IndusInd Bank	13.97	Repayable in 48 equal monthly installments
21	Utkarsh Small Finance Bank	13.33	Repayable in 12 quarterly installment after moratorium period of 3 months
22	Axis Bank Ltd.	15.00	Sanctioned amount Rs.15.00 crore, Repayable in 12 quarterly installments of Rs.1.25 crore commencing (after moratorium of 4 months from September to December 31, 2019)
23	Axis Bank Ltd.	30.00	Repayable in 12 quarterly installments of Rs.2.50 crore each commencing from June 30, 2020 ending March 31, 2023
22	Proposed	1.82	-
	Total LT	243.22	-

*Outstanding as on March 31, 2019

#Sanctioned

1.B Fund based working capital limits*(Rs. crore)*

Sr. no.	Name of bank	Type of facility	Amount
1	Bank of Maharashtra	Cash Credit	4.50
2	Bank of Maharashtra	WCDL	10.50
3	SBI	Cash Credit	6.00
4	SBI	WCDL	39.00
5	RBL Bank Ltd.	Cash Credit	5.00
6	HDFC Bank	Cash Credit	10.00
7	Axis Bank Ltd.	Cash Credit	5.00
8	Tata Financial Services Ltd.	WCDL	10.00
9	<i>Proposed</i>	<i>Cash Credit</i>	<i>34.00</i>
Total			124.00

Total long term bank facilities (1.A. + 1.B.): Rs.367.23 crore