April 29, 2025

Suryoday Small Finance Bank Limited: Ratings upgraded for PTCs issued under an unsecured loans securitisation transaction

Summary of rating action

Trust Name^	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Saryu 03 2024	Series A1 PTC	68.37	NA	17.56	[ICRA]AA(SO); Upgraded from [ICRA]AA-(SO)
	Series A2 PTC	1.00	NA	1.00	[ICRA]AA-(SO); Upgraded from [ICRA]A+(SO)

^ The transaction has been referred to as Saryu in this rationale

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured loan receivables originated by Suryoday Small Finance Bank Limited {Suryoday/Originator; rated [ICRA]A(Stable)}. Suryoday is also the servicer for this transaction. The ratings upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the March 2025 payout month.

Pool performance summary

Particulars	Saryu
Payout month	Mar-25
Months post securitisation	12
Pool amortisation	61.60%
PTC amortisation – Overall **Series A1 PTC** **Series A2 PTC**	73.24% 74.32% 0.00%
Cumulative collection efficiency[1]	95.41%
Loss-cum-30+ days past due (dpd)[2] (% of initial pool)	6.74%
Loss-cum-90+ dpd[3] (% of initial pool)	4.86%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	11.48%
Breakeven collection efficiency[4] **Series A1 PTC** **Series A2 PTC**	 35.29% 38.41%
CC available (as % of balance pool principal)	20.18%
Principal subordination (% of balance pool) **Series A1 PTC** **Series A2 PTC**	 40.81% 37.43%
Excess interest spread (EIS[5] ; % of balance pool) **Series A1 PTC** **Series A2 PTC**	 12.67% 12.50%

[1] (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

[2] Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

[3] Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

[4] (Balance cash flows payable to Series A1 PTC investor – CC available)/Balance pool cash flows

[5] (Pool Cash flows – Cash flows to Series A1 PTC/Series A2 PTC investors as applicable – Originator's residual share)/Pool Principal outstanding

Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flows from the pool, after meeting the promised and expected payments, will flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to PTC investors.

Key rating drivers and their description

Credit Strengths

Build-up of credit enhancement – The ratings action factors in the build-up in the credit enhancement with the cash collateral increasing to 20.2% of the balance pool principal from 7.8% at the time of securitisation. Internal credit support is also available through principal subordination which has built up from the time of securitisation as well as through excess interest spread (EIS) in the transaction.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections and recovery across multiple geographies.

Credit Challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Gujarat, Tamil Nadu and Maharashtra, contributing ~61% of the balance pool principal. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business –The microfinance sector (constituting ~54% of balance pool principal) has seen a decline in collections and consequently rise in delinquencies over last one year in the current fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in collection teams. Any sustained impact of these factors on the collections from the pool would be monitorable. The pool is also exposed to the inherent credit risk associated with the unsecured nature of the asset class (unsecured loans constitute ~46% of balance pool principal) and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation 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 assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.50% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Saryu
Originator	Suryoday Small Finance Bank Limited
Servicer	Suryoday Small Finance Bank Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	HDFC Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement is ~4.75 and ~4.50 times the estimated loss in the pool for Series A1 PTC and Series A2 PTC respectively.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Suryoday) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till February 2025 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Suryoday Small Finance Bank (Suryoday or SSFB), initially incorporated as Suryoday Micro Finance Limited, was set up in October 2008 as an non-banking finance company with the objective of providing loans to women in urban and semi-urban areas using the joint liability group (JLG) lending model. During FY2016, SSFB received license from Reserve Bank of India to commence operations as a small finance bank. Subsequently, it commenced operations as a small finance bank on January 23, 2017.

As of December 31, 2024, the bank was operating in 15 states and UTs across India through its 708 branches, with a strong presence in Maharashtra, Tamil Nadu and Odisha. The bank catered to around 33 lakh clients while managing a portfolio of Rs. 9,563 crore as on December 31, 2024.

Key financial indicators (standalone)

Suryoday Small Finance Bank Limited	FY2023	FY2024	9MFY2025*
Accounting as per		IGAAP	
Total income	1,281	1,808	1,640
Profit after tax	78	216	149
Total assets	9,861	12,378	13,926
Net NPA (%)	1.5%	0.9%	3.1%
CRAR	33.7%	28.4%	26.9%

*Source: Bank, ICRA Research; All ratios as per ICRA's calculations; *Limited review; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years				
	Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025			Date & Rating in FY2024	Date & Rating in FY2023
				April 29, 2025	July 16, 2024	April 08, 2024		-	-
Saryu 03 2024	Series A1 PTC	68.37	17.56	[ICRA]AA(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)		-	-
	Series A2 PTC	1.00	1.00	[ICRA]AA-(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)			

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Saryu 03 2024	Series A1 PTC	Moderately Complex
	Series A2 PTC	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 Name	Date of Issuance	Coupon Rate (p.a.p.m.)	Final Maturity Date	Amount Rated (Rs. crore)	Current Rating
Saryu 03 2024	Series A1 PTC	April 10, 2024	9.00%	August 17, 2026	17.56	[ICRA]AA(SO)
	Series A2 PTC	April 10, 2024	12.00%	August 17, 2026	1.00	[ICRA]AA-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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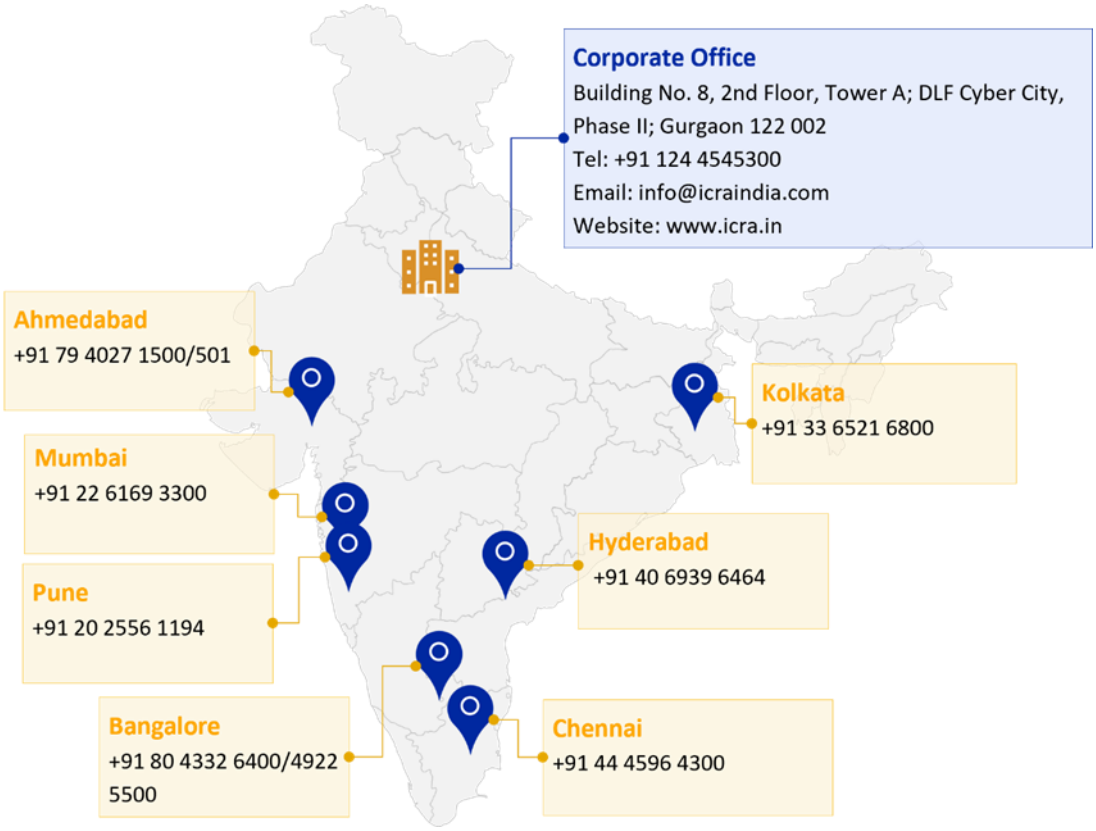

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