Manba Finance Limited

February 20, 2019

Summary of Rated Instruments

Trust Name	Instrument	Initial Amount (Rs. crore[1])	Rated Amount (Rs. crore)	Rating action
Northern ARC 2019 CV Bloom	PTC Series A1	24.16	24.16	Provisional rating of [ICRA]A(SO) confirmed as final
	PTC Series A2	0.83	0.83	Provisional rating of [ICRA]BBB+(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Northern ARC 2019 CV Bloom trust as final, as tabulated above.

Rationale

In January 2019, ICRA had assigned Provisional [ICRA]A(SO) rating to PTC Series A1 and Provisional [ICRA]BBB+(SO) rating to PTC Series A2, issued by Northern ARC 2019 CV Bloom trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- The first line of support is available for the transaction through subordination of 13.00% and 10.00% of pool principal for PTC Series A1 and A2 respectively followed by a Credit Collateral (CC) equivalent to 5.00% of the initial pool principal amount.
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 11.58% of the pool principal amount for PTC A1 and 11.00% of the pool principal amount for PTC A2;

Credit challenges

- The pool has high state level concentration with the single state contributing to 100% of pool principal;
- The pool has moderate weighted average seasoning of ~7 months.

Description of key rating drivers highlighted above:

The first line of support is available for the transaction through the excess interest spread (EIS) and subordination of 13.00% of the pool principal (includes principal payable to PTC A2 and over collateralization). After PTC A1 has been fully

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[1] *100 lakh = 1 crore = 10 million*

paid, subordination of 10.00% of the pool principal will be available for PTC A2. An important feature of the structure in this transaction is that any collection in excess of the promised interest payouts to PTC A1 would be first utilised for payment of expected principal of PTC A1 and then for expected interest payouts to PTC A2. After PTC A1 is completely amortised the same would be utilised for payment of promised interest and expected principal to PTC A2.

Cash collateral of 5.00% of the initial pool principal provided by Manba acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall. Additionally, EIS available in the structure will also provide credit enhancement support.

There are no overdues in the pool as on the cut-off date. The pool consists of loans that are moderately seasoned with weighted average seasoning of ~7 months. The contracts have an average LTV of 80% which is in line with industry standards.

Key rating assumptions

ICRA's cash flow modelling for rating ABS transactions involves simulation of potential delinquencies, losses and prepayments in the pool. The assumptions for mean shortfall and the Co-efficient of Variation (CoV) are arrived on the basis of the values observed in the analysis of the Originator's loan portfolio. Additionally, the assumptions may also be adjusted to account for the prevalent macroeconomic situation as well as any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be about 6.5% - 7.5%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 6.0% - 9.0% per annum.

Liquidity Position:

The principal amount on the rated PTCs is promised on the scheduled maturity date. Only the interest amount is promised on a monthly basis. This structural feature imparts significant liquidity in the transaction, as even a small amount of collections in the underlying pool contracts would be sufficient to meet the promised PTC payouts.

Additionally, there is cash collateral available in the transaction amounting to 5.00% of the pool principal amount. The cash collateral is adequate to cover promised interest payouts due for 9 months to the PTC Series A1 investors even in an unlikely scenario of no collections in the pool.

Performance of past rated pools: This is the first securitisation transaction of Manba Finance Limited to be rated by ICRA.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the Originator:

Manba Finance Limited (MFL) was incorporated in 1996 and is a Reserve Bank of India registered non deposit taking non banking financial company (NBFC). The company is headquartered in Mumbai, Mulund West and has more than 300 empanelled dealer and approximately 200+ employees.

MFL provides two-wheeler (2W) finance in Mumbai and surrounding regions. The company is fully owned (through individual capacity and through group companies/relatives) by Mr. Manish Shah who is the promoter and Managing Director of the company.

During FY2018, MFL posted net profit of Rs. 8.23 crore with an operating income of Rs. 37.53 crore compared to net profit of Rs. 6.33 crore and an operating income of Rs. 29.85 crore during FY2017.

Key financial indicators

	FY2017	FY2018	Q1 FY2019
Net Worth	49.74	79.96	83.55
Net interest income	29.84	37.53	11.94
Profit before tax	9.58	12.02	5.03
Profit after tax	6.33	8.23	3.59
Portfolio	191.23	290.58	334.84
Gearing	3.15	2.87	3.17
% Net profit/Average total assets	3.09%	2.94%	4.07%
% Return on Net Worth	13.58%	12.69%	17.54%
% Gross NPAs	0.83%	1.06%	NA
% Net NPAs	0.10%	0.95%	NA

Amount in Rs. Crore; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years			
		Type	Initial Amount Rated (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating Feb 2019	Month-year & Rating Jan 2019	Month - year & Rating in FY2018	Month - year & Rating in FY2017	Month - year & Rating in FY2016
1	Northern ARC 2019 CV Bloom	PTC Series A1	24.16	24.16	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-
		PTC Series A2	0.83	0.83	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)			

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Rated Amount (Rs. crore[2])	Current Rating
1	Northern ARC 2019 CV Bloom	PTC Series A1	January 2019	11.35%	March 2022	24.16	[ICRA]A(SO)
		PTC Series A2		14.75%		0.83	[ICRA]BBB+(SO)

** Scheduled maturity and average life at transaction initiation; may change on account of prepayment*

[2] *100 lakh = 1 crore = 10 million*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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