January 31, 2020

Manba Finance Limited: Ratings upgraded for PTCs issued under two-wheeler loan securitisation transaction

Summary of rating action

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore[1])	Principal O/s Previous Surv Exercise (Rs. crore)	Amount O/s after Nov-19 Payout (Rs. crore)	Rating Action
1.	Northern ARC 2019 CV Bloom	PTC Series A1	24.16	NA	8.57	Rating upgraded to [ICRA] AA (SO) from [ICRA]A(SO)
		PTC Series A2	0.83	NA	0.83	Rating upgraded to [ICRA] A+ (SO) from [ICRA]BBB+(SO)

**Instrument details are provided in Annexure-1*

Rationale

ICRA has upgraded the ratings assigned to the pass-through certificates (PTCs) issued under a securitisation transaction originated by Manba Finance Limited (Manba), as tabulated above. The PTCs are backed by two-wheeler loan receivables originated by Manba. The receivables have been assigned to the Northern ARC 2019 CV Bloom trust at par and the trust has issued PTCs backed by the same.

The rating upgrade is on account of the high amortisation of the senior PTCs, healthy cumulative collection efficiency and low delinquency observed in the transaction. The amortisation has led to a build-up of cover from the outstanding credit enhancements for the balance PTC payouts.

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

Pool performance summary (till November 2019 payout month)

A summary of the performance of the pools till the November 2019 payout month has been tabulated below.

Parameter	Northern ARC 2019 CV Bloom
Months Post Securitisation	10
Pool Amortisation	56.19%
PTC Amortisation PTC A1	64.53%
PTC Amortisation PTC A2	0.00%
Cumulative Collection Efficiency[2]	99.73%
Loss-cum-30+ dpd[3] (% of initial pool principal)	0.23%
Loss-cum-90+ dpd (% of initial pool principal)	0.00%
30+ dpd[4] (% of balance pool principal)	0.38%
90+ dpd (% of balance pool principal)	0.00%
Cumulative Cash Collateral Utilisation	0.00%
Average Monthly Prepayment Rate	0.02%
Breakeven Collection Efficiency[5] PTC A1	55.84%
Breakeven Collection Efficiency PTC A2	62.60%
Cash Collateral (% of balance pool)	11.41%
Principal Subordination (% of balance pool principal) for PTC A1	29.57%
Principal Subordination (% of balance pool principal) for PTC A2	22.72%
Excess Interest Spread (% of balance pool principal) for[6] PTC A1	7.50%
Excess Interest Spread (% of balance pool principal) for PTC A1 and PTC A2	6.93%

Key rating drivers

Credit Strengths

- High amortization of senior PTC resulting in build-up of Cash Collateral (CC), Principal subordination and Excess Interest Spread cover available for the balance PTC payouts;
- Healthy collection efficiency and consequently low delinquency level in the pool for 90+ delinquency bucket is observed in the pool

Credit Challenges

- Significant geographical concentration in the pool

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[2] *(Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)*

[3] *Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a percentage of Initial Pool Principal*

[4] *Inclusive of Unbilled Principal portion of contracts delinquent for more than 30 days, as a percentage of Balance Principal*

[5] *(Balance Cashflows payable to investor – Cash collateral available)/Balance Pool Cashflows*

[6] *(Pool Cashflows – Cashflows to PTC A1 – PTC A2 principal – originator's residual share)/Pool Principal outstanding*

Description of key rating drivers highlighted above

The performance of the pool has been good until the November 2019 payouts with a cumulative collection efficiency of more than 99%. There has been no instance of CC utilisation owing to the timely interest and ultimate payment structure of the pool. The pool has amortised by over ~56%. Thus, the CC has built up significantly to 11.41% of the balance pool principal compared to 5% of the initial pool principal.

The geographical concentration of the loan contracts in the pool is significant with Maharashtra constituting 100% of the pool principal. The 30+ dpd (as a percentage of initial pool principal) of the pool was low at 0.23%, after the November 2019 payouts.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to upgrade the ratings of PTC Series A1 and PTC Series A2. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of asset backed securities (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Northern ARC 2019 CV Bloom	2.0%-3.0%	6.0%-9.0% p.a.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. This imparts significant liquidity to the transaction in the interim period. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to investors of both PTC Series A1 and PTC Series A2.

Rating sensitivities

Positive triggers – The ratings could be upgraded if the CC covers the future PTC payouts entirely.

Negative triggers – Pressure on the ratings could emerge on a decline in the monthly collection efficiency (<80%) of the underlying pool contracts on a sustained basis, leading to high delinquency levels and decreased cover for the future PTC payouts from the credit enhancements.

Analytical approach

The rating actions are based on the performance of the pool till November 2019 (payout month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in the transaction.

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

About the company

Manba Finance Limited was incorporated in 1996 and is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company (NBFC). Headquartered in Mumbai, Mulund West, the company has more than 300 empanelled dealers and approximately 200+ employees.
Manba provides two-wheeler (2W) finance in Mumbai and its surrounding regions. It is fully owned (through individual capacity and through Group companies/relatives) by Mr. Manish Shah, the promoter and Managing Director of the company.In FY2018, Manba posted a net profit of Rs. 8.23 crore on an operating income of Rs. 37.53 crore compared to a net profit of Rs. 6.33 crore on an operating income of Rs. 29.84 crore in FY2017.

Key financial indicators

Particulars	FY2017	FY2018	FY2019
Net worth	49.74	79.96	103.73
Net interest income	29.84	37.53	52.75
Profit before tax	9.58	12.02	20.95
Profit after tax	6.33	8.23	14.35
Portfolio	191.23	290.58	454.43
Gearing	3.15	2.87	
% Net profit/Average total assets	3.09%	2.94%	
% Return on net worth	13.58%	12.69%	
% Gross NPAs	0.83%	1.06%	
% Net NPAs	0.10%	0.95%	

Note: Amounts in Rs. crore
Source: Company

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	Type	Rated amount		Chronology of Rating History for the Past 3 Years				
			Rated Amount	Amount Outstanding	Date & Rating in FY2020	Date & Rating in FY2019		Date & Rating in FY2018	Date & Rating in FY2017
					31 Jan, 2020	20 Feb, 2019*	30 Jan, 2019^		
1.	Northern ARC 2019 CV Bloom	PTC Series A1	24.16	8.57	[ICRA]AA(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		PTC Series A2	0.83	0.83	[ICRA]A+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

^Initial rating assigned
** Final rating assigned*
Amount in Rs. crore

Complexity level of the rated instrument

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 (p.a.)	Scheduled Maturity Date*	Rated Amount (Rs. Crore)	Current Rating
1.	Northern ARC 2019 CV Bloom	PTC Series A1	January 2019	11.35%	March 2022	8.57	[ICRA]AA(SO)
		PTC Series A2		14.75%		0.83	[ICRA]A+(SO)

** Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool*

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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.

For more information, visit www.icra.in

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