

June 02, 2022

Vaya Finserv Private Limited: Rating confirmed as final for PTCs issued under microfinance loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
NIMBUS 2022 MFI Brooksley	PTC Series A1	29.98	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-1

Rationale

In March 2022, ICRA had assigned Provisional [ICRA]A(SO) rating to Pass Through Certificate (PTCs) Series A1 issued by NIMBUS 2022 MFI Brooksley. The PTCs are backed by receivables from a Rs. Rs. 41.77-crore (pool principal amount of Rs. 35.27 crore) pool of microfinance loan receivables(MFI) originated by Vaya Finserv Private Limited (Vaya/ Originator; rated [ICRA]BBB (Stable)/[ICRA]A3+). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the May 2022 payout is provided in the table below.

Parameter	NIMBUS 2022 MFI Brooksley
Months post securitisation	2
Pool amortisation	9.54%
PTC Series A1 Amortisation	11.32%
Average monthly prepayment rate %	0.05%
Cumulative collection efficiency (including advance)	103.34%
Loss cum 0+ dpd	0.20%
Loss cum 30+ dpd	0.06%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, over-collateralisation (subordination) and CC
- No overdue contracts in the pool as on the cut-off date

Credit challenges

- High geographical concentration with top state contributing ~61% to the initial pool principal amount
- Performance of the pool would be exposed to any disruptions that may arise due to the Covid-19 pandemic
- Performance of pool would also remain exposed to natural calamities that may impact the income-generating capability of the borrower, given the marginal borrower profile; further, pool's performance would be exposed to political and communal risks

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables have been assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A1 on a monthly basis will comprise the interest at the predetermined yield on the outstanding PTC principal on each payout date and the entire principal on the final maturity date.

The first line of support for PTC Series A1 in the transaction is in the form of a subordination/over-collateralisation of 15.00% of the pool principal (includes over-collateralisation). Further credit support is available in the form of an EIS of 12.77% for PTC Series A1. A CC of 5.00% of the initial pool principal, to be provided by Vaya, would act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the trustee will utilise the CC to meet the shortfall.

As per the transaction structure, the collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1. The entire principal repayment to PTC Series A1 is promised on the scheduled maturity date. The EIS available after meeting the scheduled PTC payments shall flow back to the originator on every payout date subject to the predefined triggers.

There are no overdues in the pool as on the cut-off date. The pool has high geographical concentration with the top 2 states (Bihar and Uttar Pradesh) contributing ~79% to the initial pool principal amount. At the district level, the top 5 districts account for ~35% of the initial pool principal amount. The performance of the pool would be exposed to political and communal risks as well as natural calamities that may impact the income-generating capability of the borrower. Also, it would remain exposed to any disruptions that may arise due to the pandemic.

Past rated pools: ICRA has rated five microfinance loan receivable PTC transactions originated by Vaya in the past (between December 2019 and June 2021). Three of these pools are live as on date while the ratings for the other transactions have been withdrawn. The live pool (which has completed atleast 3 payouts) has displayed moderate collections with a cumulative collection efficiency of 99% till the April 2022 payout. The 30+ day past due (dpd; %) for the pool is 2.66% and the CC utilisation has been nil in the live pool as of the April 2022 payout.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the 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 performance of the originator's portfolio as well as the 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 of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 4.0-5.0% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-9.0% per annum.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 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 CE are expected to be comfortable to meet the promised payouts to the PTC Series A1 investors.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the CE would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade.

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 company

Vaya Finserv Private Limited (VFPL), incorporated in March 2014, is an NBFC-MFI with its registered office in Hyderabad. The company provides microloans under the joint liability group (JLG) model along with credit-linked insurance. VFPL was operating in 7 states through a network of 266 branches spread across 91 districts, catering to more than 4.8 lakh borrowers with a managed loan portfolio of Rs. 1,202 crore as on March 31, 2022.

Key financial indicators

For the period ended As per	Mar-20 Ind-AS Audited	Mar-21 Ind-AS Audited	Mar-22* Ind-AS Provisional
PAT	7	10	12
Total Managed Assets	1,386	1,452	1,588
Managed gearing (adjusted; times)	3.8	2.6	3.9
Gross NPA (%)	0.9%	2.8%	3.1%
Net NPA (%)	0.3%	1.6%	1.1%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					June 02, 2022	March 28, 2022	-	-
1	NIMBUS 2022 MFI Brooksley	PTC Series A1	29.98	29.98	[ICRA]A(SO)	Provisional [ICRA] A(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
NIMBUS 2022 MFI Brooksley	PTC Series A1	March 2022	9.25%	November 2023	29.98	[ICRA]A(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Palak Bhatt

+91 22 6114 3456

palak.bhatt@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Nemish Shah

+91 22 6114 3456

nemish.shah@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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