

June 13, 2022

Northern Arc Capital Limited: Rating reaffirmed for PTCs issued under securitisation transaction by multiple originators and arranged by Northern Arc Capital Limited

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
IFMR Capital Mosec Enigma 2016	PTC Series A2	5.62	0.50	0.49	[ICRA]D(SO); reaffirmed

*Instrument details are provided in Annexure-1

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under a securitisation transaction originated by multiple originators and arranged by Northern Arc Capital Limited (NACL; rated [ICRA]A+ (Stable)/[ICRA]A1+). The transaction is backed by microloan receivables given to individuals by seven entities – Fino Finance Private Limited (FFPL), Pahal Financial Services Private Limited, S.M.I.L.E. Microfinance Limited, S V Creditline Private Limited (SVCL), Svasti Microfinance Private Limited, IIFL Samasta Finance Limited (erstwhile Samasta Microfinance Limited) and Sambandh Finserve Private Limited. The receivables have been assigned to the IFMR Capital Mosec Enigma 2016 trust at a premium and the trust has issued PTCs backed by the same.

The PTCs carried an eventual promise of principal payouts and a monthly promise of interest payouts. The rating reflects the inadequacy of the pool's collections as well as the available credit enhancement, in respect of two originators (FFPL and Samasta), to meet the promised payouts to the PTC Series A2 investors on the scheduled maturity date in April 2018. The incremental overdue collections in the pool remain low.

Key rating drivers and their description

Credit strengths

- Not applicable

Credit challenges

- Pool's collections along with available credit enhancement were insufficient to meet the promised payouts to the PTC Series A2 investors on the maturity date

Description of key rating drivers highlighted above

The collection performance of all the underlying sub-pools was healthy till the October 2016 collection month. However, post demonetisation, the monthly collection levels declined significantly. Due to the weak performance, there has been a shortfall in meeting the scheduled payouts to the PTC Series A2 investors even after the utilisation of the entire credit enhancement available from the originators in the transaction. The recent average three-month overdues collection from the pool was very low.

Key rating assumptions

Not applicable

Liquidity position: Poor

On the scheduled maturity date of this transaction, the cash collateral (CC) was fully utilised. Further repayments are to be met through collections from the overdue loan contracts. Considering the collection trend in recent months, the full repayment of the PTCs is unlikely in the near to medium term.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Not applicable

Analytical approach

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

About the company

Fino Finance Private Limited

Fino Finance Private Limited (FFPL) is a microfinance institution (MFI) and a non-deposit accepting non-financial banking company (NBFC) registered with the Reserve Bank of India (RBI). It was acquired by FINO PayTech Limited (FPL) in 2010. The company provides microfinance loans to women and is currently operating through a network of 174 branches spread across 90 districts in six states (Maharashtra, Madhya Pradesh, Uttar Pradesh, Bihar, Chhattisgarh and Jharkhand).

Key financial indicators (audited)

Fino Finance Private Limited	FY2020	FY2021	FY2022
As per	Ind-AS	Ind-AS	Ind-AS
Total income (Rs. crore)	106	51	515
Profit after tax (Rs. crore)	5	(55)	(74)
Net worth (Rs. crore)	79	24	11
Loan book (total managed; Rs. crore)	446	234	6*
Gross NPA (%)	1.7%	31.3%	NA
Net NPA (%)	0.7%	13.7%	NA

Source: Company, ICRA Research; All ratios as per ICRA's calculations

* On-book portfolio; NA – Not available; NPA – Non-performing advances

IIFL Samasta Finance Limited (erstwhile Samasta Microfinance Limited)

Bengaluru, Karnataka-based IIFL Samasta Finance Limited (erstwhile Samasta Microfinance Limited) is a non-deposit accepting NBFC. The company began its microfinance operations in 2008 and was managing a portfolio of Rs. 6,484 crore as on March 31, 2022. As on March 31, 2022, Samasta had a presence in 17 states, catering to more than 17.5 lakh customers through a network of 807 branches spread across 288 districts.

Key financial indicators

	FY2020	FY2021	FY2022
Total income (Rs. crore)	537	702	1,017
Profit after tax (Rs. crore)	107	66	50
Loan book (Rs. crore)	3,400	4,796	6,484
Gross NPA (%)*	1.46%	1.82%	3.07%
Net NPA (%)	0.00%	0.00%	0.84%

Source: Company & ICRA Research; *On-book NPAs

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Jun 13, 2022	Jun 04, 2021	May 29, 2020	Apr 26, 2019	
1	IFMR Capital Mosec Enigma 2016	PTC Series A2	5.62	0.49	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	[ICRA]D(SO)	

Complexity level of the rated instrument

Trust Name	Instrument*	Complexity Indicator
IFMR Capital Mosec Enigma 2016	PTC Series A2	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

Instrument Name	Date of Issuance	Coupon Rate	Initial Final Maturity Date	Amount Rated (Rs. crore)	Current Rating
IFMR Capital Mosec Enigma 2016	PTC Series A2	16.00%	Apr-18	0.49	[ICRA]D(SO)

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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Branches



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