December 13, 2022

Chaitanya India Fin Credit Private Limited: Rating confirmed as final to Series A1 PTC backed by microfinance loan receivables issued by Nimbus 2022 MFI Starfox

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 MFI Starfox	Series A1 PTC	54.55	[ICRA]AA-(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In September 2022, ICRA has assigned a provisional rating to the pass-through certificates (PTCs) issued under a securitisation transaction originated by Chaitanya India Fin Credit Private Limited (Chaitanya; rated [ICRA]A- (Stable)/[ICRA]A1). The PTCs are backed by a pool of Rs. 73.59-crore microfinance loan receivables (underlying pool principal of Rs. 63.43 crore). 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 November 2022 payouts is shown in the table below:

Pool performance summary

Parameter	Nimbus 2022 MFI Starfox
Months post securitisation	2
Pool amortisation (as % of initial pool principal)	11.61%
Series A1 PTC amortisation	13.52%
Cumulative collection efficiency	99.83%
Loss cum 0+ dpd	0.24%
Loss cum 30+ dpd	0.08%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%
Average monthly prepayment rate	0.19%

Key rating drivers

Credit strengths

- Demonstrated experience in microfinance business
- No overdue contracts in the pool as on cut-off date
- Moderate pre-assignment amortisation at ~24% and average seasoning of ~29 weeks

Credit challenges

- Geographically concentrated pool with ~82% of the initial pool principal originated from the top 3 states
- Performance of pool would 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
- Performance of the pool would remain exposed to macro-economic shocks/ business disruptions, if any

Description of key rating drivers highlighted above

The first line of support for Series A1 PTC in the transaction is in the form of over-collateralisation of 14.0% of the pool principal. Further credit support is available in the form of an EIS. A CC of 6.0% of the initial pool principal (Rs. 3.81 crore), provided by Chaitanya, acts as further credit enhancement in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC (in case the over-collateral and EIS are insufficient) to meet the shortfall.

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC investors. During the tenure of Series A1 PTC, the collections from the pool, after making the promised interest payouts to Series A1 PTC, will be used to make the expected principal payouts to Series A1 PTC. The surplus EIS available after meeting the promised and expected payouts to the PTCs will be passed on to the originator every month. However, if the portfolio at risk (PAR)>30 in the outstanding pool exceeds 6.0% of the initial pool principal, then the EIS shall be utilised to make the principal payments to Series A1 PTC till it is fully paid. Once the utilisation of EIS towards principal payments is triggered as above, utilisation of EIS towards principal payments shall not stop owing to PAR>30 falling to below 6.0%.

There are no overdues in the pool as on the cut-off date. The pool has moderate pre-securitisation amortisation at ~24% and weighted average seasoning of ~29 weeks as on the cut-off date. Geographical concentration is high with the top 3 states (Maharashtra, Jharkhand and Bihar) contributing ~82% to the initial pool principal amount. At the district level, the top 5 districts account for ~28% of the initial pool principal amount. Going forward, any fresh disruptions that may arise due to the pandemic could have a bearing on the pool's performance. 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.

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 4.00-5.00% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 2.4-9.0% (with a mean of 6.0%) per annum.

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. Overall, the cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to the Series A1 PTC 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 credit enhancement 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 credit enhancement utilisation levels, would result in a rating downgrade.

Analytical approach

The rating action is based on the analysis of the performance of Chaitanya's portfolio till June 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover 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

Chaitanya India Fin Credit Private Limited (Chaitanya) is a microfinance institution (MFI), which started operations from October 2009. It is a wholly-owned subsidiary of Navi Finserv Private Limited (NFPL). Chaitanya lends to women, primarily in rural areas, under the Grameen Bank Group Lending model. It offers microfinance loans under the joint liability group (JLG) model as well as individual loans. As of June 2022, Chaitanya operated in 151 districts in 11 states with an overall portfolio of Rs. 3,200 crore. CIFCPL, which started operations in October 2009, was promoted by Mr. Anand Rao and Mr. Samit Shetty; it subsequently became a part of the Navi Group in October 2019.

Incorporated on February 14, 2012, NFPL (formerly known as Chaitanya Rural Intermediation Development Services Private Limited or CRIDS) is a part of Navi Group, which is promoted by Mr. Sachin Bansal (ex-co-founder of Flipkart). It was incorporated in 2012 as Chaitanya Rural Intermediation Development Services Private Limited (CRIDS) and was acquired by Mr. Bansal, who bought a majority stake in NFPL post a capital infusion of Rs. 600 crore in October 2019. Subsequently, Mr. Bansal transferred his stake in NFPL to Navi Technologies Private Limited (NTPL; which now serves as the main holding company of Navi Group), with NFPL becoming a wholly-owned subsidiary of NTPL. NFPL is engaged in digital lending and holds an equity stake in Chaitanya. NFPL, on a standalone basis, had a gross portfolio of Rs. 1,770 crore as on December 31, 2021 (Rs. 830 crore as on September 30, 2021 and Rs. 626 crore as on March 31, 2021).

Key financial indicators (audited)

	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023*
Total income	216	361	323
Profit after tax	21	52	56
AuM	1,396	2,654	3,521
Gross NPA	4.1%	1.3%	0.6%
Net NPA	0.9%	0.4%	0.1%

Source: Company, ICRA Research; 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 (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
					December 13, 2022	October 06, 2022	-	-	-
1	**Nimbus 2022 MFI Starfox**	Series A1 PTC	54.55	54.55	**[ICRA]AA-(SO)**	**Provisional [ICRA]AA-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 MFI Starfox	Series A1 PTC	September 2022	8.90%	June 2024	54.55	[ICRA]AA-(SO)

** Scheduled PTC maturity date at transaction initiation; may change on account of prepayments*
Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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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