February 09, 2023

# Save Microfinance Pvt. Ltd.: Rating confirmed as final for PTCs backed by micro loan receivables originated by Indigo 011

### Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Indigo 011** | PTC Series A1 | 20.00 | [ICRA]A-(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure-1*

## Rationale

In October 2022, ICRA had assigned Provisional [ICRA]A-(SO) rating to pass-through certificate (PTCs) Series A1 issued by Indigo 011. The PTCs are backed by loan receivables of a Rs. 25.54 crore pool (underlying pool principal of Rs. 22.22 crore) of micro finance loan contracts originated by Save Microfinance Private Limited (SMPL). 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 rating has now been confirmed as final.

A summary of the pool performance post January 2023 payout is shown in the table below:

| Parameter | Indigo 011 |
|---|---|
| **Months post securitisation** | 3 |
| **Actual Pool amortisation** | 20.69% |
| **PTC Series A1 amortisation** | 25.59% |
| **Cumulative monthly prepayment rate %** | 0.21% |
| **Cumulative collection efficiency** | 90.46% |
| **Loss cum 0+ dpd** | 0.44% |
| **Loss cum 90+ dpd** | 0.01% |
| **Cumulative cash collateral (CC) utilisation** | 0.00% |

## Key rating drivers

### Credit strengths

- Availability of credit enhancement in the form of Excess Interest Spread, overcollateralization /subordination and cash collateral.
- No overdue contracts in the pool as on the cut-off date.
- Pool has weighted average seasoning of ~29 weeks and weighted average amortisation of ~48% as on cut off date.

### Credit challenges

- High geographical concentration with top three states contributing ~86% to the initial pool principal amount.
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any.

## Description of key rating drivers highlighted above

According to the transaction structure, the monthly cash flow schedule comprises the promised interest payment to PTC Series A1 at the predetermined interest rate on the principal outstanding. The principal repayment to PTC Series A1 is promised on the final maturity date. During the tenure of PTC Series A1, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to PTC Series A1. This principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A1 would be carried forward to the subsequent payout. After the promised and scheduled payouts to the PTCs have been made every month, the EIS will be utilised for prepaying the principal of PTC Series A1 till the maturity of the transaction. Also, 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.

The first line of support for PTC Series A1 in the transaction is in the form of over-collateralisation (i.e. subordination) of 10.0% of the pool principal. Further credit support is available in the form of an EIS of 9.3% and a CC of 10.0% of the initial pool principal to be provided by Save.

There were no overdue contracts in the pool as on the cut-off date. The pool had high geographical concentration at the state level with the top state (Bihar) contributing ~53% to the initial pool principal amount. At the district level, the top 5 districts accounted for ~21% of the initial pool principal amount. The performance of the pool would be exposed to inherent credit risk associated with the unsecured nature of the asset class and macro-economic shocks / business disruptions, if any.

**Past rated pool(s):** ICRA has rated one PTC (securitisation) transaction originated by Save in the past. The transaction has has reported a cumulative collection efficiency of ~99% and loss-cum 0+ ~0.2% as of the January 2023 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 2.4-9.0% per annum.

## Liquidity position

**PTC Series A1: Strong**

According to 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 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 credit enhancement would result in a ratings upgrade.

**Negative factors -** The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings 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 | |
|---|---|
| **Applicable Rating Methodologies** | Rating Methodology for Securitisation Transactions |
| **Parent/Group Support** | Not Applicable |
| **Consolidation/Standalone** | Not Applicable |

## About the originator

SAVE Microfinance Private Limited (SMPL) is an NBFC-MFI, extending the JLG Loans, based out of Bihar. SMPL received its NBFC license in October 2017 and commenced lending operations November 2018 onwards. The company provides micro credit to women borrowers for the purpose of income generating activities such as small business, handicrafts, trade and services, agricultural etc. The loans are provided primarily to women for agriculture and non-agriculture activities with a ticket size of Rs. 25,000 – 50,000. The tenure of the loans is 12- 24 months with a rate of interest in the range of 19% to 22%. Collections are made monthly, and 1% processing fees is charged. The Company also gives CGS loans at a rate of interest of 19.69%.

The operations are spread geographically with a presence in 78 districts across 7 states as on June 30, 2022. In H1 FY2023, the company reported a profit after tax (PAT) of Rs. 7.62 crore on AUM of Rs. 760.19 crore. As of December 2022, Save has reported an AUM of approximately Rs. 970 crore.

### Key financial indicators

| SMPL | FY2021 | FY2022 | H1 FY2023 |
|---|---|---|---|
| **Total Income (Rs. crore)** | 24.20 | 62.22 | 67.10 |
| **Profit after tax (Rs. crore)** | 0.50 | 3.43 | 7.62 |
| **Assets under management (Rs. crore)** | 203.17 | 512.98 | 760.19 |
| **Gross NPA (%)** | 2.13% | 1.33% | 0.91% |
| **Net NPA (%)** | 0.63% | 0.32% | 0.00% |

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

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

<table>
<tr><th rowspan="3"></th><th rowspan="3">Trust</th><th colspan="5">Current Rating (FY2023)</th><th colspan="3">Chronology of Rating History for the past 3 years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Initial Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th><th>Date & Rating in FY2020</th></tr>
<tr><th>February 09, 2023</th><th>October 14, 2022</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>1</td><td>Indigo 011</td><td>PTC Series A1</td><td>20.00</td><td>20.00</td><td>[ICRA]A-(SO)</td><td>Provisional [ICRA]A-(SO)</td><td>-</td><td>-</td><td>-</td></tr>
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## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| **PTC Series A1** | Moderately Complex |

** Backed by credit enhancement*

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-1: Instrument details

| Trust Name | Instrument Type | Date of Issuance / Sanction | Coupon Rate | Maturity Date* | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **Indigo 011** | PTC Series A1 | October 2022 | 10.75% | June 2024 | 20.00 | [ICRA]A-(SO) |

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

*Source: Company*

## Annexure-2: 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.

For more information, visit www.icra.in

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