

March 31, 2023

Save Microfinance Pvt. Ltd.: Provisional [ICRA]A-(SO) assigned to PTC Series A1(a) and Provisional [ICRA]BBB+(SO) assigned to PTC Series A1(b) backed by a pool of micro loan receivables issued by Emblica 03 2023

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Emblica 03 2023	Series A1(a) PTC	8.83	Provisional [ICRA]A-(SO); Assigned
	Series A1(b) PTC	0.83	Provisional [ICRA]BBB+(SO); Assigned

*Instrument details are provided in Annexure-1

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned provisional ratings to the pass-through certificates (PTCs) under a securitisation originated by Save Microfinance Pvt. Ltd. (Save). The PTCs are backed by a pool of Rs. 13.40 crore microfinance loan receivables (underlying pool principal of Rs. 11.04 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts and the credit enhancement (CE) available in the form of (i) a cash collateral (CC) of 5.0% of the pool principal to be provided by the originator, (ii) subordination/over-collateralisation (OC) of 20.0% of the pool principal for PTC Series A1(a) and 12.5% for PTC Series A1(b) and (iii) the Excess Interest Spread (EIS) of 13.2% of the pool principal for Series A1(a) PTC and 11.6% of the pool principal for Series A1(b) PTC, as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS, OC and CC
- No overdue contracts in the pool as on the cut-off date
- Pool has weighted average seasoning of ~24 weeks as on cut-off date

Credit challenges

- High geographical concentration with top three states contributing to ~94% of the initial pool principal amount
- Exposed to inherent credit risk associated with the unsecured nature of the asset class, the performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any
- 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.

Description of key rating drivers highlighted above

The first line of support for PTC Series A1(a) in the transaction is in the form of a subordination of 20.0% of the pool principal {includes over-collateralisation and principal payable to PTC Series A1(b)}. After PTC Series A1(a) has been fully paid, a subordination of 12.5% of the pool principal (includes over-collateralisation) will be available for PTC Series A1(b). Further credit support is available in the form of an EIS of 13.2% for PTC Series A1(a) and 11.6% for PTC Series A1(b). A CC of 5.0% of the initial pool principal, to be provided by Save, would act 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 to meet the shortfall.

As per the transaction structure, till August 17, 2024, the collections from the pool will be used for making the promised interest payouts to PTC Series A1(a) and to PTC Series A1(b) on a pari-passu basis. After making the promised interest payouts to PTC Series A1(a) and A1(b), collections will be used to make the expected principal payouts to PTC Series A1(a) till its redemption followed by the expected principal payout to PTC Series A1(b). The entire principal repayment to PTC Series A1(a) and PTC Series A1(b) is promised on the scheduled maturity dates of the respective tranches.

From August 18, 2024, till the final maturity date, the collections from the pool will be used for making the promised interest payouts to PTC Series A1(a) and to PTC Series A1(b) on a pari-passu basis. After making the promised interest payouts, collections will be utilised for the redemption of PTC Series A1(a) and A1(b) on a pari-passu basis. The EIS available after meeting the expected and promised PTC payments will flow back to the originator on a monthly basis.

All prepayment amounts would be passed on to PTC Series A1(a) till August 17, 2024. From August 18, 2024, the prepayment amounts would be passed on to PTC Series A1(a) and PTC Series A1(b) on a pari-passu basis for the respective amounts outstanding till complete redemption.

There are no overdues in the pool as on the cut-off date. The pool consists of loans that are moderately seasoned with a weighted average seasoning of 6 months with pre-securitisation amortisation of 16.8%. The geographical concentration of the loan contracts in the current pool is moderate with the top state constituting 65.5% of the pool principal. The performance of the pool would be exposed to political and communal risks and natural calamities that may impact the income-generating capability of the borrower.

Performance of past rated pools: ICRA has rated three PTC (securitisation) transactions originated by Save in the past. Both the pool have performed well with cumulative collection efficiency of ~98% and delinquency in 0+ dpd bucket below 0.2% as of January 2023 payout month. There has been nil CC utilization in both the transactions till January 2023 payout month.

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 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:

Strong for Series A1(a) PTC:

As per the transaction structure, only the interest amount is promised monthly to the PTC Series A1(a) and PTC Series A1(b) on pari passu basis while the principal amount is promised on the scheduled maturity date of the transaction. The collections from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to PTC investors.

Adequate for Series A1(b) PTC:

As per the transaction structure, only the interest amount is promised to the Series A1(b) PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected to be adequate to meet the promised payouts to Series A1(b) 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 ratings upgrade. Improvement in the credit profile of the servicer would also be important to upgrade the rating of the PTCs.

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 ratings downgrade.

Analytical approach

The rating action is based on the analysis of the performance of Save's portfolio till December 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement co available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Power of Attorney
6. Chartered Accountant's (CA) certificate
7. Any other documents executed for the transaction including for the CC

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the ratings, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the company

Save Microfinance Pvt. Ltd. (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 to women for agriculture and non-agriculture activities with a ticket size of Rs. 15,000 – 50,000. The tenure of the loans is 12- 24 months with a rate of interest of 19.7% to 21.69%. Collections are made monthly and 1% processing fees is charged. The Company also gives CGS loans at a rate of interest of 19.69%.

Key financial indicators (audited)

Save Microfinance Pvt. Ltd.	FY2021	FY2022	H1FY2023
Total Income	24.20	62.47	67.10
Profit after Tax	0.50	3.53	7.62
Assets under Management	203.17	513.20	760.19
Gross Non-performing Assets (NPA)%	2.13%	1.26%	0.91%
Net NPA%	0.63%	0.26%	0.00%

Note: Amounts in Rs. crore; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	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
					March 31, 2023			
1	Embllica 03 2023	Series A1(a) PTC	8.83	8.83	Provisional [ICRA]A-(SO)	-	-	-
		Series A1(b) PTC	0.83	0.83	Provisional [ICRA]BBB+(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a) PTC	Moderately Complex
Series A1(b) 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-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. Crore)	Current Rating
Emblica 03 2023	Series A1(a) PTC	March 2023	12.75%	November 2024	8.83	Provisional [ICRA]A-(SO)
	Series A1(b) PTC	March 2023	14.50%	November 2024	0.83	Provisional [ICRA]BBB+(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

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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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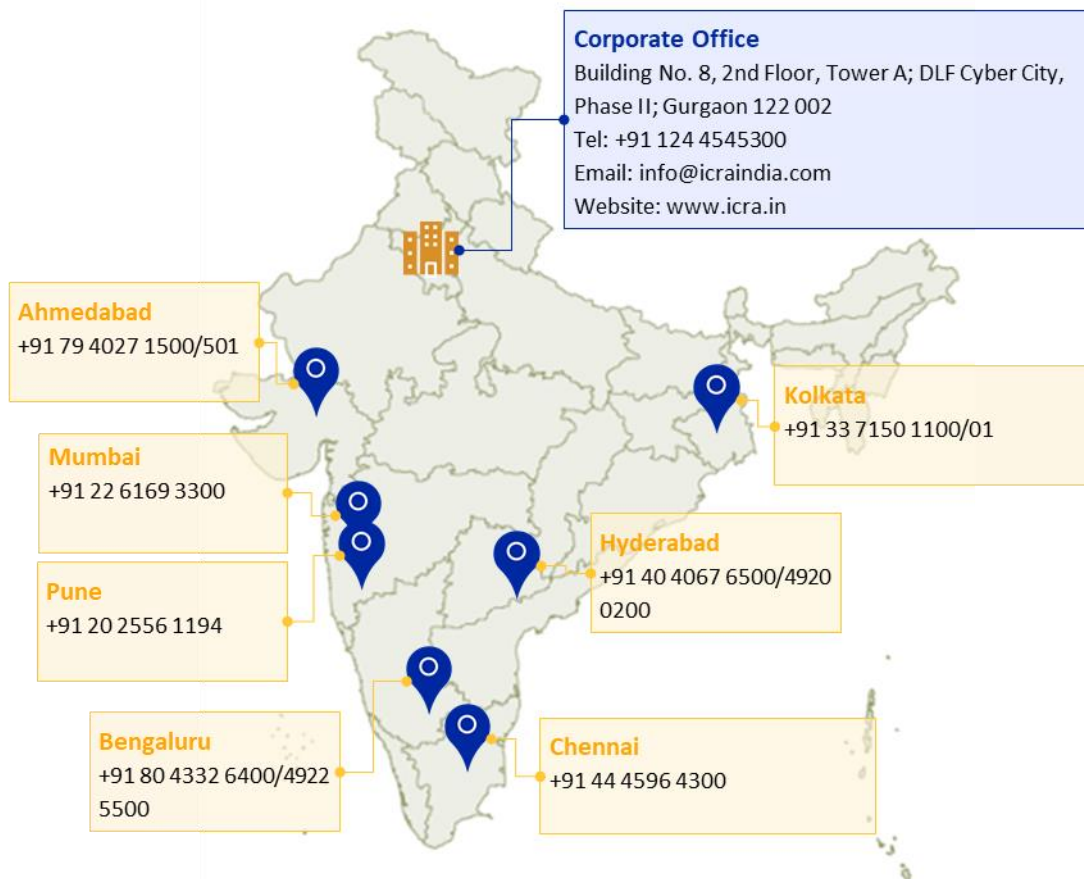


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