

April 17, 2023

Navi Finserv Limited: Rating confirmed as final for PTCs issued under a personal loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 PL Dora	Series A PTC	50.00	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In December 2022, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A pass through certificates (PTCs) issued by Nimbus 2022 PL Dora. The pass-through certificates (PTCs) are backed by a pool of Rs. 55.56-crore (pool principal; receivables of Rs. 68.88 crore) of personal loan receivables originated by Navi Finserv Limited (NFL). 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 March 2023 payout is shown in the table below.

Parameter	Nimbus 2022 PL Dora
Months post securitisation	3
Pool amortisation	14.67%
Amortisation of Series A PTC	17.96%
Cumulative collection efficiency (including advance collections)	99.45%
Cumulative prepayment rate	7.95%
Loss-cum-0+ days past due (dpd)	0.95%
Loss-cum-30+ dpd	0.20%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- No overdues in the pool as on the cut-off date
- Average seasoning of the pool at ~6 months and pre-assignment amortisation at ~16% as on cut-off date
- All the contracts in the pool have a CIBIL score of at least 700 and ~64% of the pool has contracts with a CIBIL score of 750 and above as on cut-off date

Credit challenges

- Share of contracts with IRR) greater than 20%, at ~58% is higher as on cut-off date
- Limited track record of operations of the servicer with major book building over the past one year
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance would remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to Series A PTC at the predetermined interest rate on the principal outstanding. The entire principal is promised on the final maturity date. During the tenure of Series A PTC, the collections from the pool, after making the promised interest payouts to Series A PTC, will be used to make the expected principal payouts to Series A PTC (100% of principal billed). However, this principal payout is not promised and any shortfall in making the expected principal payment to Series A PTC would be carried forward to the subsequent payout. The surplus EIS available after meeting the promised and expected payouts to the PTCs will be used to accelerate the principal repayments to the PTC holders.

The first line of support for Series A PTC in the transaction is in the form of over-collateralisation of 10.01% of the initial pool principal. Additionally, the EIS of 16.10% of the initial pool principal available in the structure provides CE support. A CC of 10.00% of the initial pool principal provided by NFL acts 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.

There were no overdues in the pool as on the cut-off date. The pool has average seasoning of 5.8 months and pre-assignment amortisation of 15.9% as on the cut-off date. All the contracts in the initial pool had a CIBIL score of at least 700 while 62.4% has a CIBIL score of 750 and above. The top 3 states, i.e. Maharashtra, Karnataka and Telangana, comprise 37.2% of the initial pool principal. NFL's personal loan portfolio has a limited track record of operations with major book building happening over the past one year. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Also, its performance would remain exposed to macro-economic shocks/business disruptions, if any.

Past rated pools: This is the second PTC transaction backed by personal loan receivables originated by NFL rated by ICRA. Other than this transaction, ICRA has rated three more PTC transactions of which, two are yet to complete their first payouts. For the transactions that have completed at least one payout(s), there has been no CC utilisation till date and the loss-cum-30+ days past due (dpd) remained below 1.0% as of the March 2023 payouts.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of NFL's loan portfolio. Given the short track record of NFL in the personal loan business, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of the credit quality of personal loans. The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

For the current pool, after taking into account the above-mentioned factors regarding the asset class and after adjusting for key features like seasoning, overdue, ticket size, interest rate, bureau score, and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 5.0-6.0%, with certain variability around it. The annual prepayment rate in the pool is estimated to be 8.0% p.a.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the Series A PTC holder(s) 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 CE are expected to be comfortable to meet the promised payouts to the Series A PTC investor(s).

Rating sensitivities

Positive Factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative Factors - Pressure on the rating could emerge on the sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool, leading to higher-than-expected delinquency levels and CE utilisation levels.

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

Navi Finserv Limited (NFL/formerly known as Navi Finserv Private Limited) was incorporated on February 14, 2012, as a private limited company. In April 2022, it was converted into a public limited company. NFL, a wholly owned subsidiary of the Navi Group (main holding company is Navi Technologies Limited), holds a 100% stake in Chaitanya India Fin Credit Private Limited, which has been in operations since 2009. On a standalone basis, NFL had a gross portfolio of Rs. 7,126 crore as on December 31, 2022 and Rs. 5,941 crore as on September 30, 2022 (Rs. 4,437 crore as on June 30, 2022).

Key financial indicators

Particulars	FY2021	FY2022	9M FY2023*
Total income	337	460	908
Profit after tax	98	(67)	74
Assets under management	3,418	4,298	7,126
Gross non-performing assets (NPA)	-	4.43%	1.2%
Net NPA	0.79%	0.20%	0.02%

Source: Company data, ICRA Research; Amount in Rs. crore; *Provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					April 17, 2023	December 30, 2022	-	-
1	Nimbus 2022 PL Dora	Series A PTC	50.00	50.00	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A 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 II: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 PL Dora	Series A PTC	December 2022	9.80%	July 2025	50.00	[ICRA]AA(SO)

* Scheduled 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:

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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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