

June 01, 2023

## 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	0.49	0.48	[ICRA]D(SO); reaffirmed

\*Instrument details are provided in Annexure I

### 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]AA- (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 3-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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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-banking financial 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 had a network of 174 branches spread over 90 districts in six states, namely Maharashtra, Madhya Pradesh, Uttar Pradesh, Bihar, Chhattisgarh and Jharkhand, as on June 30, 2021. It subsequently witnessed a reduction in its business and the closure of branches, etc, and its net on-book portfolio is estimated at Rs. 6 crore as on March 31, 2022.

### Key financial indicators (audited)

	FY2020	FY2021	FY2022
As per	Ind-AS	Ind-AS	Ind-AS
Total income	106	51	515
Profit after tax	5	(55)	(74)
Net worth	79	24	11
Loan book (total managed)	446	234	6*
Gross non-performing assets (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

Amount in Rs. crore

### IIFL Samasta Finance 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 had a portfolio of Rs. 10,552 crore as on March 31, 2023. As on December 31, 2022, Samasta had a presence in 17 states, catering to more than 20 lakh customers through a network of 1,110 branches spread across 324 districts.

### Key financial indicators

	FY2022	FY2023
Total income	1,011	1,741
Profit after tax	51	128
Assets under management (AUM)	6,484	10,552
Gross stage 3	3.1%	2.1%
Net stage 3	0.9%	0.8%

Amount in Rs. crore; All calculations are as per ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Jun 01, 2023	Jun 13, 2022	Jun 04, 2021	May 29, 2020
1 IFMR Capital Mosec Enigma 2016	PTC Series A2	5.62	0.48	[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: [Click Here](#)

#### Annexure I: 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%	April 2018	0.48	[ICRA]D(SO)

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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