July 11, 2023

Save Microfinance Pvt. Ltd.: Rating confirmed as final for PTCs backed by micro loan receivables issued by Emblica 03 2023

Summary of rating action

Trust Name	Instrument*	Current Rated A mount (Rs. crore)	Rating Action
Emblica 03 2023	Series A1(a) PTC	8.83	[ICRA]A-(SO); provisional rating confirmed as final
	Series A1(b) PTC	0.83	[ICRA]BBB+(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure-1*

Rationale

In March 2023, ICRA had assigned Provisional [ICRA]A-(SO) to Series A1(a) pass-through certificate (PTC) and Provisional [ICRA]BBB+(SO) to Series A1(b) PTC rating to issued by Emblica 03 2023. The PTCs are backed by micro loan receivables of a Rs. 13.40 crore pool (underlying pool principal of Rs. 11.04 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 June 2023 payout is shown in the table below:

Parameter	Emblica 03 2023
Months post securitisation	2
Actual Pool amortisation	8.80%
PTC Amortisation Series A1(a) PTC	11.11%
PTC Amortisation Series A1(b) PTC	0.00%
Cumulative collection efficiency	99.86%
Monthly Collection Efficiency	99.81%
Loss cum 0+ dpd	0.18%
Loss cum 30+ dpd	0.10%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral (CC) utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of Excess Interest Spread, overcollateralisation/subordination and cash collateral
- 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 Series A1(a) PTC in the transaction is in the form of a subordination of 20.0% of the pool principal {includes over-collateralisation and principal payable to Series A1(b) PTC}. After Series A1(a) PTC has been fully paid, a subordination of 12.5% of the pool principal (includes over-collateralisation) will be available for Series A1(b) PTC. Further credit support is available in the form of an EIS of 13.2% for Series A1(a) PTC and 11.6% for Series A1(b) PTC. 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 Series A1(a) PTC and to Series A1(b) PTC on a pari-passu basis. After making the promised interest payouts to Series A1(a) PTC and A1(b), collections will be used to make the expected principal payouts to Series A1(a) PTC till its redemption followed by the expected principal payout to Series A1(b) PTC. The entire principal repayment to Series A1(a) PTC and Series A1(b) PTC 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 Series A1(a) PTC and to Series A1(b) PTC on a pari-passu basis. After making the promised interest payouts, collections will be utilised for the redemption of Series A1(a) PTC 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 were passed on to Series A1(a) PTC till August 17, 2024. From August 18, 2024, the prepayment amounts were passed on to Series A1(a) PTC and Series A1(b) PTC on a pari-passu basis for the respective amounts outstanding till complete redemption.

There were no overdues in the pool as on the cut-off date. The pool consists of loans that were 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 was 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.

Past rated pool(s): ICRA has rated five securitisation transaction originated by SMPL. All the live pools (which have completed atleast 3 payouts) has reported strong cumulative collection efficiency above ~99% and loss-cum 0+ delinquency below 1% as of the June 2023 payout. There has been nil CC utilisation in all transactions till June 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 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

Strong for Series A1(a) PTC

As per the transaction structure, both the interest is promised to the Series A1(a) 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 comfortable to meet the promised payouts to Series A1(a) 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 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. Save Microfinance Private Limited (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. 10,000 – 60,000. The tenure of the loans is 12- 24 months with a rate of interest in the range of 22% to 25%. 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

SMPL	FY2021	FY2022	FY2023
Total Income (Rs. crore)	24.20	62.47	169.08
Profit after tax (Rs. crore)	0.50	3.53	17.21
Assets under management (Rs. crore)	203.17	513.20	986.52
Gross NPA (%)	2.13%	1.26%	0.91%
Net NPA (%)	0.63%	0.26%	0.14%

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

	Trust	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					July 11,2023	March 31,2023	-	-
1	Emblica 03 2023	Series A1(a) PTC	8.83	8.83	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Series A1(b)PTC	0.83	0.83	[ICRA]BBB+(SO)	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 Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Emblica 03 2023	Series A1(a) PTC	March 2023	12.75%	November 2024	8.83	[ICRA]A-(SO)
	Series A1(b) PTC	March 2023	14.50%	November 2024	0.83	[ICRA]BBB+(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.

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