

September 18, 2023

Save Microfinance Pvt. Ltd. : Rating confirmed as final to pool backed by micro loan receivables originated by Sita 06 2023

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Sita 06 2023	Series A1(a) PTC	16.32	[ICRA]A-(SO); provisional rating confirmed as final
	Series A1(b) PTC	1.53	[ICRA]BBB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-I

Rationale

In July 2023, ICRA has assigned provisional ratings to the pass-through certificates (PTCs) issued under a securitisation transaction originated by Save Microfinance Pvt. Ltd. (Save). The PTCs are backed by a pool of Rs. 24.55-crore microfinance loan receivables (underlying pool principal of Rs. 20.41 crore). 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 performance of the pool after the August 2023 payout month has been provided below.

Parameter	Sita 06 2023
Months post securitisation	1
Pool amortisation	4.81%
PTC Amortisation Series A1(a) PTC	6.02%
PTC Amortisation Series A1(b) PTC	0.00%
Cumulative collection efficiency (including advance) ¹	100.39%
Monthly Collection Efficiency	99.86%
Loss-cum-0+ dpd ²	0.14%
Loss cum 30+ dpd ³	0.00%
Loss cum 90+ dpd ⁴	0.00%
Cumulative Prepayment rate	0.11%
Cumulative cash collateral (CC) utilisation	0.00%

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 ~27 weeks and amortisation of ~20% as on cut off date

¹ Cumulative collections/ (Cumulative billings + Opening overdues at the time of securitisation)

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitization

³ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitization

⁴ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitization

Credit challenges

- High geographical concentration with top state (Bihar) contributing to ~75% 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
- 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 OC 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 OC) will be available for Series A1(b) PTC. Further credit support is available in the form of an EIS of 12.7% for Series A1(a) PTC and 11.2% 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 same.

As per the transaction structure, Series A1(b) PTC payouts are completely subordinated to Series A1(a) PTC payouts until October 17, 2024. The collections from the pool will be used for making the promised interest payouts to Series A1(a) and Series A1(b) PTCs on a pari-passu basis. After making the promised interest payouts to Series A1(a) and A1(b) PTCs, 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) and Series A1(b) PTCs is promised on the scheduled maturity date of the respective tranches.

From October 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) and Series A1(b) PTCs on a pari-passu basis. Thereafter, collections will be utilised for the redemption of Series A1(a) and A1(b) PTCs 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 will be passed on to Series A1(a) PTC till October 17, 2024. From October 18, 2024, the prepayment amounts will be passed on to Series A1(a) and Series A1(b) PTCs 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 consisted of loans that were moderately seasoned with a weighted average seasoning of 27 weeks and pre-securitisation amortisation of 20.1% as on cut off date. The pool was geographically concentrated with the top state (Bihar) constituting 75.3% of the initial pool principal. The performance of the pool will be exposed to political and communal risks and natural calamities that may impact the income-generating capability of the borrower.

Past rated pools performance: : ICRA has rated four PTC (securitisation) transactions originated by Save in the past. For the live pools, the cumulative collection efficiency was reported at ~99% and delinquencies in the 0+ days past due (dpd) bucket were below 1% as of the August 2023 payout month. There has been nil CC utilisation in the transactions till date.

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 A1(a): Strong

As per the transaction structure, only the interest amount is promised monthly to the Series A1(a) PTC 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 the Series A1(a) PTC investors.

Liquidity position A1(b): Adequate

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 actions are 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 originator

Bihar-based Save Microfinance Pvt. Ltd. is a non-banking financial company-microfinance institution (NBFC-MFI), which provides joint liability group (JLG) loans. It received its NBFC licence in October 2017 and commenced lending operations from November 2018. The company provides microcredit to women borrowers for income-generating activities such as small business, handicrafts, trade and services, agriculture, etc. The loans are provided to women for agricultural and non-agricultural 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 19.7-21.69%. Collections are made on a monthly basis and a processing fee of 1% is charged. The company also gives credit guarantee scheme (CGS) loans at a rate of interest of 19.69%. The operations are spread geographically with a presence in 102 districts across 7 states as on March 31, 2023. In FY2023, the company reported a profit after tax (PAT) of Rs. 17.21 crore on assets under management of Rs. 986.52 crore.

Key financial indicators (audited)

Save Microfinance Pvt. Ltd.	FY2021	FY2022	FY2023
Total income	24.20	62.47	169.08
Profit after tax	0.50	3.53	17.21
Assets under management	203.17	513.20	986.52
Gross non-performing assets (NPA)	2.13%	1.26%	0.91%
Net NPA	0.63%	0.26%	0.14%

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amounts in Rs. Crore;

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 (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
					Sept 18, 2023	July 06, 2023			
1	Sita 06 2023	Series A1(a) PTC	16.32	16.32	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-
		Series A1(b) PTC	1.53	1.53	[ICRA]B BB+(SO)	Provisional [ICRA]B BB+(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-I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Sita 06 2023	Series A1(a) PTC	June 2023	12.75%	March 2025	16.32	[ICRA]A-(SO)
	Series A1(b) PTC	June 2023	14.50%	March 2025	1.53	[ICRA]BBB+(SO)

Source: Company

Annexure-II: 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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