

October 12, 2023

Lendingkart Finance Limited: Ratings confirmed as final for PTCs backed by unsecured small business loan receivables issued by NIMBUS 2023 SBL LIMA

Summary of rating action

Trust Name	Instrument*	Initial rated amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NIMBUS 2023 SBL LIMA	PTC Series A1	14.36	14.36	[ICRA]A(SO); provisional rating confirmed as final
	PTC Series A2	1.01	1.01	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In May 2023, ICRA had assigned a Provisional [ICRA]A(SO) rating to Pass Through Certificates (PTC) Series A1 and a Provisional [ICRA]A-(SO) rating to PTC Series A2 issued by Nimbus 2023 SBL Lima. The PTCs are backed by receivables from a Rs. 22.30-crore (pool principal amount of Rs. 16.89 crore) pool of unsecured small business loans (SBLs) originated by Lendingkart Finance Limited (Lendingkart/Originator; rated [ICRA]BBB+(Positive)). 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 September 2023 payout month has been provided below.

Parameter	Nimbus 2023 SBL Lima
Months post securitisation	4
Pool amortisation	21.96%
PTC Series A1 amortisation	25.84%
PTC Series A2 amortisation	0.00%
Cumulative prepayment rate	10.35%
Cumulative collection efficiency	97.64%
Loss cum 0+ dpd	5.00%
Loss cum 30+ dpd	2.24%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS), subordination and cash collateral (CC)
- Absence of overdue contracts in the pool as on the cut-off date

Credit challenges

- Higher share (~35%) of contracts with internal rate of return (IRR) of more than 30% as on the cut-off date
- Exposure to interest rate risk as the yield on PTC Series A1 is floating and the pool yield is fixed
- The portfolio had seen stress in asset quality due to Covid-19 pandemic as reflected in higher restructuring and write offs.
- 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

The first line of support for PTC Series A1 in the transaction is in the form of a subordination/over-collateralisation of 15.00% of the pool principal (includes principal payable to PTC Series A2). After PTC Series A1 has been fully paid, subordination of 9.00% of the pool principal could be available for PTC Series A2. The equity tranche PTC payouts are completely subordinated to the PTC Series A1 and PTC Series A2 payouts and the equity tranche principal payments are not promised at every payout. On the payment of PTC Series A1 and PTC Series A2 in full, the principal payments for the equity tranche PTCs will be made. Further credit support is available in the form of an EIS of 20.72% for PTC Series A1 and 18.98% for PTC Series A2. A CC of 5.00% of the initial pool principal, to be provided by Lendingkart, would act 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 same.

As per the transaction structure, PTC Series A2 payouts are completely subordinated to PTC Series A1. The collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1, followed by the expected interest payout to PTC Series A2. The entire principal repayment to PTC Series A1 is promised on the scheduled maturity date. Post the maturity of PTC Series A1, interest payouts will be promised to PTC Series A2 and all excess cash flows, after meeting the promised PTC Series A2 interest payouts, will be passed on for the expected PTC Series A2 principal payout. The entire principal repayment to PTC Series A2 is promised on the scheduled maturity date. The EIS available after meeting the expected and promised PTC payments will flow back to the originator on a monthly basis. While the loans in the underlying pool are all fixed rate loans, the yield for PTC Series A1 is not fixed but linked to the repo rate, thereby exposing the transaction to interest rate risk. PTC Series A2 has a fixed yield.

There are no overdues in the pool as on the cut-off date. The geographical concentration of the loan contracts in the current pool is moderate with the top 3 states constituting ~35% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~9 months) and pre-securitisation amortisation (~19%). The pool has a low share of contracts (~11%) with a ticket size of more than Rs. 10 lakh. Further, the CIBIL score of almost all the contracts is above 700. The pool has a relatively higher share (~35%) of contracts with an IRR of more than 30%. The pool would be exposed to the inherent credit risk associated with the unsecured nature of the asset class and its performance would remain exposed to macro-economic shocks/business disruptions.

Past rated pools performance: ICRA has rated 48 pools originated by Lendingkart. The performance of the live pools (which have completed at least 2 months post securitisation) has been healthy till date with the cumulative collection efficiency in the range of 94-99% for all the transactions. No CC has been utilised till the September 2023 payout.

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 6.00-7.00% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-18.0% per annum.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. After PTC Series A1 is fully paid, the

interest amount is promised to the PTC Series A2 holders on a monthly basis and the principal amount is promised on the scheduled maturity date of the transaction. The collections from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC investors.

Rating sensitivities

Positive factors – The ratings could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE.

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels.

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

Lendingkart Finance Limited (formerly Aadri Infin Limited) is a Lendingkart Group company, which is registered as a non-banking financial company (NBFC) and provides unsecured small and medium-sized enterprise (SME) loans. Lendingkart Technologies Private Limited (LTPL), the technology arm of the Ahmedabad-based Lendingkart Group, holds a 100% stake in Lendingkart. Fullerton Financial Holdings Pte Limited had a 38.16% stake in LTPL as on March 31, 2023. The Group was established in 2014 by one of the co-founders, Mr. Harshvardhan Lunia, and raised funds from FFH, Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darrin Capital Management. Loans are given to micro and small enterprises for meeting their working capital needs. The underwriting is based on the scoring by a proprietary algorithm.

Key financial indicators (standalone; audited)

	FY2022	FY2023	Q1 FY2024*
Total income	639	824	242
Profit after tax (PAT)	(141)	116	26
Total managed assets	3,284	4,978	5,492
Gross stage 3	3.9%	2.6%	2.7%
Net stage 3	1.6%	1.4%	1.8%

Source: Lendingkart, ICRA Research; All ratios as per ICRA's calculations; *Unaudited Amount 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	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					October 12, 2023	May 12, 2023*			
1	NIMBUS 2023 SBL LIMA	PTC Series A1	14.36	14.36	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-
		PTC Series A2	1.01	1.01	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-

*Initial Rating Assigned

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Complex
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

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
NIMBUS 2023 SBL LIMA	PTC Series A1	May 2023	11.50%^	December 2025	14.36	[ICRA]A(SO)
	PTC Series A2	May 2023	13.25%	December 2025	1.01	[ICRA]A-(SO)

Source: Company

*Based on scheduled maturity of the pool contracts; may change on account of prepayment

^Floating, linked to repo rate and spread fixed at 5%

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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