

October 30, 2023

Save Microfinance Pvt. Ltd.: Ratings upgraded for PTC's issued under micro finance loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Current Outstanding Amount after June 2023 Payout (Rs. crore)	Rating Action
Hodges 06 2022	PTC Series A1	17.07	NA	2.84	[ICRA]A+(SO) upgraded from [ICRA]A-(SO)
	PTC Series A2	1.01	NA	1.01	[ICRA]A(SO) upgraded from [ICRA]BBB(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificate (PTC's) is backed by a pool of micro finance loan receivables originated by Save Microfinance Private (SMPL). The ratings have been upgraded on account of the healthy collection efficiency and moderate amortisation in the transaction, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the September 2023 payout month.

Pool performance summary

A summary of the performance of the pool till the August-23 collection (September 2023 payout) month has been tabulated below.

Parameter	Hodges 06 2022
Months post securitisation	14
Pool amortisation	76.73%
PTC A1 Amortisation	83.36%
PTC A2 Amortisation	0.00%
Cumulative collection efficiency ¹	99.15%
Loss-cum-0+ (% of initial pool principal) ²	0.88%
Loss-cum-90+ (% of initial pool principal) ³	0.25%
Break-even collection efficiency (%) – PTC A1	19.06%
Break-even collection efficiency (%) – PTC A2	42.74%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	11.00%
Excess interest spread (EIS) (as % of balance pool principal) for PTC series A1	4.42%
EIS (as % of balance pool principal) PTC series A2	3.04%
Cumulative prepayment rate ⁴	1.73%

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

³ POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

⁴ POS at the time of prepayment of contracts prepaid till date / Initial pool principal

Key rating drivers

Credit strengths

- Amortisation of PTCs resulting in build-up of credit enhancement cover available for the balance PTC payouts
- Healthy collections and low delinquency levels observed in the pool

Credit challenges

- High geographic concentration at state level with the top three states having ~90% share in the balance pool
- 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 performance would also be exposed to political and communal risks.
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency above 98% and loss-cum-90+ days past due (dpd) below 0.5% till September 2023 payout month. There has been no cash collateral (CC) utilisation in the transaction till date. Healthy collections and moderate pool amortisation have led to the build-up of the CE in the pool. The breakeven collection efficiency at the current level is lower compared to the actual collection level. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings to the current levels in the transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations. The pools' performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, the performance would also be exposed to natural calamities and political and communal risks, if any.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools, and the performance and 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 loss during the balance tenure of the pool is likely to be in the range of 0.75% to -1.75% (as a % of initial pool principal) and prepayment are assumed to be in the range of 3.0% to 9.0% for the pool.

Liquidity position

PTC Series A1 and PTC Series A2: 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 cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to PTC Series A1 investors and PTC Series A2 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 rating upgrade.

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 rating downgrade.

Analytical approach

The rating action is based on the performance of the pool till September 2023 (payout month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
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. 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 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 of 19.7% 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%.

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 AUM of Rs. 1252 crore including Co lending.

EXHIBIT 1. Key Financial Indicators

	FY2021	FY2022	FY2023	Q1 FY2024*
Total income	24.2	62.2	169.1	55.5
Profit after tax	0.5	3.4	17.2	4.9
Assets under management	203.1	513.0	1252#	1256#
Gross NPA	2.1%	1.3%	1.0%	0.9%
Net NPA	0.6%	0.3%	0.05%	Nil

Source: Company data, ICRA Research; *provisional; All ratios as per ICRA's calculations; Amount in Rs. Crore, # Includes Co lending

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	
				October 30, 2023	October 31, 2022	July 06, 2022	-	-
Hodges 06 2022	PTC Series A1	17.07	2.84	[ICRA]A+(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
	PTC Series A2	1.01	1.01	[ICRA]A(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Hodges 06 2022	PTC Series A1	Moderately 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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Hodges 06 2022	PTC Series A1	July 2022	10.00%	March 2024	2.84	[ICRA]A+(SO)
	PTC Series A2	July 2022	15.00%	March 2024	1.01	[ICRA]A(SO)

* Scheduled maturity date at transaction initiation, may change on account of prepayments in the underlying pool

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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