

November 02, 2023

Satya MicroCapital Ltd.: Ratings upgraded for PTCs issued under microfinance loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 MFI Donna	PTC Series A1	43.82	NA	10.73	[ICRA]AA(SO); Upgraded from [ICRA]A(SO)
	PTC Series A2	0.76	NA	0.76	[ICRA]AA-(SO); Upgraded from [ICRA]A-(SO)

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the ratings for the pass-through certificates (PTCs) issued under the securitisation transaction, Nimbus 2022 MFI Donna, backed by a pool of microfinance loan receivables originated by Satya MicroCapital Ltd. {SML; rated [ICRA]BBB+ (Stable)}. The ratings upgrade is on account of the significant amortisation in the pool, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts in the transaction. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pool.

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

Pool performance summary (till September 2023 payout month)

Particulars	Nimbus 2022 MFI Donna
Months post securitisation	12
Pool amortisation	65.0%
PTC Series A1 amortisation	75.5%
PTC Series A2 amortisation	0.0%
Cumulative collection efficiency ¹	97.2%
Loss-cum-30+ dpd ² (% of initial pool)	3.3%
Loss-cum-90+ dpd ³ (% of initial pool)	2.6%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	11.7%
Breakeven collection efficiency ⁴ for PTC Series A1	40.0%
For PTC Series A1 and A2	44.2%
CC (% of balance pool)	18.6%
Principal subordination (% of balance pool) PTC Series A1	39.9%
PTC Series A2	35.6%
Excess interest spread (EIS ⁵ ; % of balance pool) PTC Series A1	6.0%
PTC Series A2	5.8%

¹ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

² Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 30 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 90 days, as a % of Initial Pool Principal

⁴ (Balance Cash flows payable to investor – CC available)/Balance Pool Cash flows

⁵ (Pool Cash flows – Cash flows to PTC investors – Originator's residual share)/Pool Principal outstanding

Key rating drivers and their description

Credit strengths

- High amortisation of PTCs resulting in significant build-up of CE 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 ~58% 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 the cumulative collection efficiency at ~97% as of the September 2023 payout month. The monthly collection efficiency has exceeded 95% in all the months post securitisation. The loss-cum-90+ days past due (dpd) was 2.6% for the pool as of the September 2023 payout month. There has not been any cash collateral (CC) utilisation in the transaction till date in any of the payouts. Healthy collections and high pool amortisation of ~65% and have led to the significant build-up of the CE in the pool and the low breakeven collection efficiency. The average monthly prepayment rate is low at ~1% for the pool. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings to the current level 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 pool's 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.

Performance of past rated pools: Till date, ICRA has rated 21 standalone PTC transactions of SML. The live pools, which have completed at least two payouts, have shown high cumulative collection efficiency of more than 97% (including overdue collections), low delinquencies with the loss-cum-90+ dpd below 3.0%, and nil CC utilisation as of the September 2023 payout month.

Key rating assumptions

ICRA's cash flow analysis of asset-backed securitisation (ABS) 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 pool as well as 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 mean shortfall in principal collection during the tenure of the pool is estimated at 2.5-3.5% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 3.0-9.0% 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 cash flows 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 if the CC fully covers the future PTC payouts.

Negative factors – Sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a ratings downgrade.

Analytical approach

The rating action is based on the performance of the pool till August 2023 (collection month), the present delinquency levels and 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

Satya MicroCapital Ltd. is a Delhi-based non-banking financial company (NBFC), which was incorporated in 1995. It started its microfinance operations in FY2017 by adopting the joint liability group (JLG) model with fortnightly and monthly collection cycles. The company primarily offers JLG loans with ticket sizes in the median range of Rs. 25,000-75,000 and individual microloans with ticket sizes in the range of Rs. 45,000-80,000 at interest rates of 24-26%, along with a processing fee of 0.75-0.50% for JLG loans and 3% for individual loans. SML mainly focusses on lending to women (husbands/sons above 18 years of age act as nominees) aiming to start a new business or enhance an existing business. Typically, the average tenure of loans under JLG is slightly over two years. As on March 31, 2023, the operations were spread geographically in 279 districts across 22 states/Union Territories.

The company reported a profit after tax (PAT) of Rs. 53.0 crore in FY2023 against Rs. 32.5 crore in FY2022. Its assets under management (AUM) grew by 62% to Rs. 4,684 crore (after write-offs and sale to an asset reconstruction company) as on March 31, 2023.

Key financial indicators (audited – IndAS)

	FY2021	FY2022	FY2023
Net interest income	116.7	162.2	279.9
Profit after tax	10.2	32.5	53.0
Gross AUM (IGAAP valuation)	1,476	2,884	4,684
Gross NPA	1.5%	3.3%	1.3%
Net NPA	0.6%	2.5%	0.5%

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

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					November 02, 2023	November 21, 2022	October 03, 2022	-	-
1	Nimbus 2022 MFI Donna	PTC Series A1	43.82	10.73	[ICRA]AA(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		PTC Series A2	0.76	0.76	[ICRA]AA-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Nimbus 2022 MFI Donna	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 Name	Date of Issuance	Coupon Rate	Final Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 MFI Donna	PTC Series A1	September 2022	10.15%	May 2024	10.73	[ICRA]AA(SO)
	PTC Series A2		13.00%		0.76	[ICRA]AA-(SO)

* Scheduled maturity at transaction initiation; may change on account of prepayment

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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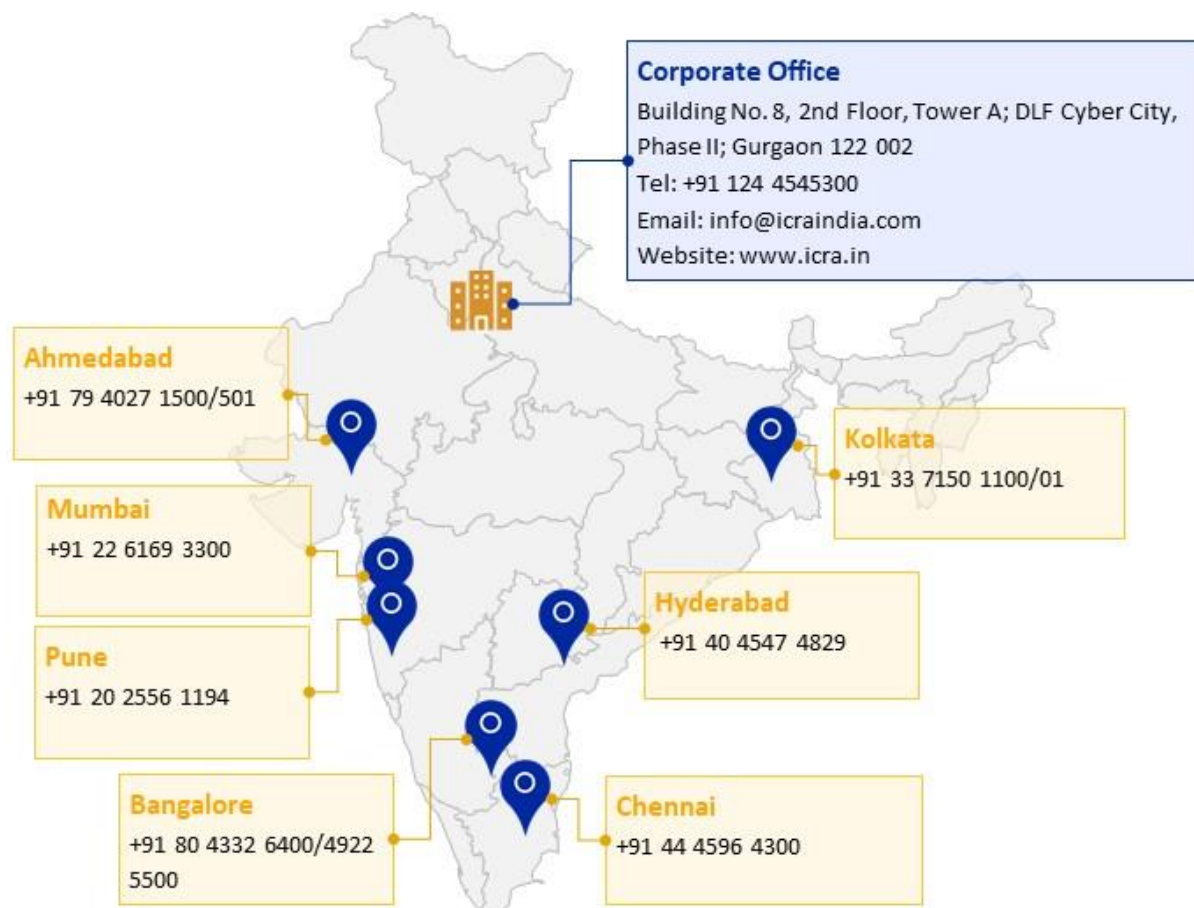


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