

November 03, 2023

## Lendingkart Finance Limited: Rating reaffirmed for PTCs issued under unsecured business loans 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
Caribou 08 2022	PTC Series A1	29.78	NA	6.21	[ICRA]BBB+(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under the securitisation transaction, Caribou 08 2022, backed by a pool of unsecured business loan receivables originated by Lendingkart Finance Limited {LFL; rated [ICRA]BBB+(Positive)}. The pool has seen high amortisation, which has resulted in the build-up of significant credit enhancement (CE) cover over the future PTC payouts in the transaction. However, the rating is constrained by LFL's credit profile as the credit collateral (CC) is in the form of an unconditional and irrevocable corporate guarantee provided by the originator. The breakeven collection efficiency is 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	Caribou 08 2022
Months post securitisation	13
Pool amortisation	68.0%
PTC Series A1 amortisation	79.2%
Cumulative collection efficiency <sup>1</sup>	98.1%
Loss-cum-30+ dpd <sup>2</sup> (% of initial pool)	2.3%
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	1.6%
Cumulative credit collateral utilisation	0.0%
Cumulative prepayment rate	33.8%
Breakeven collection efficiency <sup>4</sup> for PTC Series A1	1.9%
Credit collateral (CC; % of balance pool)	62.4%
Principal subordination (% of balance pool) PTC Series A1	37.5%
Excess interest spread (EIS <sup>5</sup> ; % of balance pool) PTC Series A1	12.5%

### Key rating drivers and their description

#### Credit strengths

- High amortisation of PTCs resulting in significant build-up of CE cover available for balance PTC payouts

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

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

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

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

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

- Healthy collections and low delinquency levels observed in the pool

#### Credit challenges

- 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; performance of the pool would remain exposed to macro-economic shocks/business disruptions

#### Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of 98.1% till the September 2023 payout month despite the dip in the monthly collections over the last few months. The drop was due to lower collections from overdue contracts, which resulted in some slippages into the harder delinquency buckets. While the loss-cum-90+ days past due (dpd) has been increasing over the last few months, it remains low at 1.6%. The pool has seen higher prepayments with an average monthly prepayment rate of 3.1% and it has amortised by ~68%. There has been no CC utilisation in the pool till the September 2023 payout month. There has been a build-up of the CE in the transaction with respect to the balance pool principal due to the healthy amortisation and nil CC utilisation till date. Going forward, the pool would remain exposed to the inherent credit risks associated with the unsecured nature of the asset class and any macro-economic shocks/business disruptions.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the rating in the transaction. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated 48 pools originated by LFL. 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 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 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.

#### Liquidity position: Adequate

As per the transaction structure, only the interest amount is promised to the 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 CE are expected to be adequate to meet the promised payouts to the PTC Series A1 investors.

#### Rating sensitivities

**Positive factors** – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts, leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE along with an improvement in LFL's credit profile.

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and CE utilisation levels. The rating could also be downgraded due to a deterioration in LFL's credit profile.

## 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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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). It provides unsecured small and medium-sized enterprise (SME) loans. Lendingkart Technologies Private Limited (LTPL) is the technology arm of the Ahmedabad-based Lendingkart Group and holds a 100% stake in LFL. The Group was started in 2014 by co-founders, Mr. Harshvardhan Lunia and Mr. Mukul Sachan, and raised funds from Fullerton Financial Holdings, Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darren Capital Management. The Lendingkart Group is a part of the evolving fintech industry and it leverages technology to underwrite credit to the SME segment, which is difficult for traditional banks and NBFCs to access. Loans are given to microenterprises for meeting their working capital needs. The underwriting is based on the scoring by a proprietary algorithm.

## Key financial indicators (audited; standalone)

	FY2022	FY2023	Q1 FY2024*
Total income	639	824	242
Profit after tax	(141)	116	26
Total AUM	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				
			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 03, 2023	November 21, 2022	September 13, 2022		
1	Caribou 08 2022	PTC Series A1	29.78	6.21	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

## Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Caribou 08 2022	PTC Series A1	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
<b>Caribou 08 2022</b>	PTC Series A1	September 2022	13.00%	January 2025	6.21	[ICRA]BBB+(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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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.

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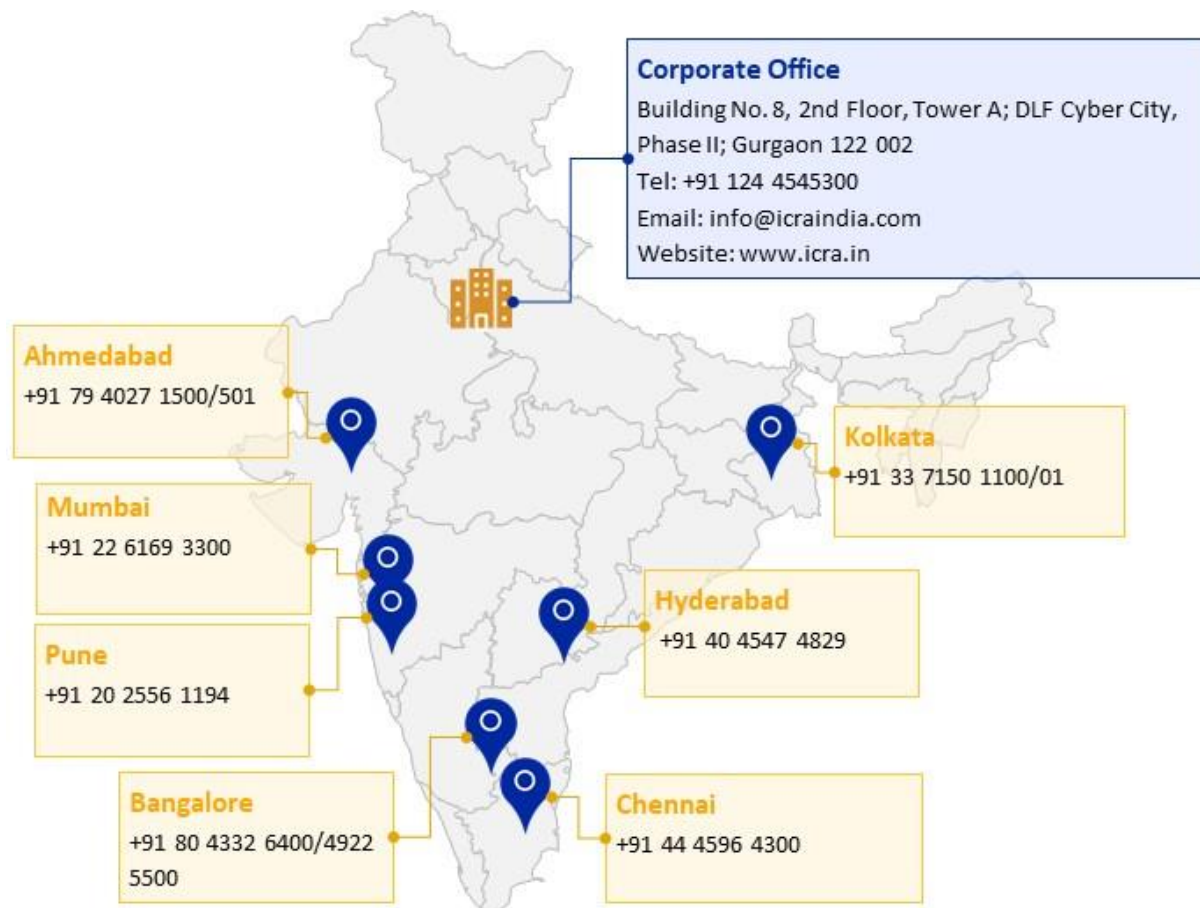
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