

November 06, 2023

Save Microfinance Pvt. Ltd.: Provisional [ICRA]A+(SO) assigned to Series A1(a)PTC, provisional [ICRA]A-(SO) assigned to Series A1(b)PTC and provisional [ICRA]BBB-(SO) assigned to equity tranche backed by pool of microloan receivables issued by Salvare 09 2023

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Salvare 09 2023	Series A1(a) PTC	14.66	Provisional [ICRA]A+(SO); Assigned
	Series A1(b) PTC	1.83	Provisional [ICRA]A-(SO); Assigned
	Equity tranche	1.01	Provisional [ICRA]BBB-(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
--	--

Rationale

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. 21.88-crore microfinance loan receivables (underlying pool principal of Rs. 18.32 crore).

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the form of (i) a cash collateral (CC) of 5.00% of the pool principal to be provided by the originator, (ii) over-collateralisation (OC)/subordination of 20.00% of the pool principal for Series A1(a) PTC, 10.00% for Series A1(b) PTC and 4.50% for the equity tranche, and (iii) the excess interest spread (EIS) of 12.98% of the pool principal as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS, OC/subordination and CC
- No overdue contracts in the pool as on the cut-off date
- Weighted average seasoning of ~33 weeks and amortisation of ~23% as on the cut-off date

Credit challenges

- High geographical concentration with top state (Bihar) contributing ~44% to the initial pool principal amount
- Exposed to inherent credit risk associated with the unsecured nature of the asset class as well as any 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 any political and communal risks

Description of key rating drivers highlighted above

The first line of support for PTC Series A1(a) in the transaction is in the form of a subordination of 20.00% of the pool principal (includes principal payable to PTC Series A1(b) and equity tranche). After PTC Series A1(a) has been fully paid, a subordination of 10.00% of the pool principal will be available for PTC Series A1(b). After PTC Series A1 has been fully paid, a subordination of 4.50% of the pool principal will be available for the equity tranche. Moreover, EIS is available in the structure. After the promised and scheduled payouts to the PTCs have been made every month, the EIS will flow back to the originator.

As per the transaction structure, the Series A1(b) PTC payouts are completely subordinated to the Series A1(a) payouts. 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, the 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 December 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. After making the promised interest payouts, the collections will be utilised for the expected 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 December 17, 2024. From December 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. The equity tranche payouts are completely subordinated to the Series A1 PTC payouts. The principal payment for the equity tranche is expected after the full redemption of Series A1 PTCs and is promised only on the final maturity date.

There were no overdues in the pool as on the cut-off date. The pool consists of loans that are moderately seasoned with a weighted average seasoning of ~33 weeks and pre-securitisation amortisation of ~23%. The pool is geographically concentrated with the top state (Bihar) constituting ~44% 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.

Performance of past rated pools: ICRA has rated five 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 90+ days past due (dpd) bucket were below 1% as of the September 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:

Strong for Series A1(a) PTC:

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

Strong for Series A1(b) PTC

As per the transaction structure, only the interest amount is promised on a monthly basis to the Series A1(b) PTC holders 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 comfortable to meet the promised payouts to the PTC Series A1(b) investors.

Adequate for equity tranche

As per the transaction structure, the principal payment for the equity tranche is expected after the full redemption of Series A1 PTCs and is promised only on the final maturity date. The cash flows from the pool and the available credit enhancement are expected to be adequate to meet the promised payouts to the equity tranche 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.

Negative factors – The sustained weak collection performance of the underlying pool (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 action is based on the analysis of the performance of Save's portfolio till June 2023, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Power of Attorney
6. Chartered Accountant's (CA) certificate
7. Any other documents executed for the transaction including for the CC

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional ratings would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the ratings, the provisional ratings will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

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	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	1,252 [#]	1,256 [#]
Gross non-performing assets (NPA)	2.1%	1.3%	1.0%	0.9%
Net NPA	0.6%	0.3%	0.05%	Nil

Amount in Rs. crore; All ratios as per ICRA's calculations; *Provisional; [#]Includes co-lending

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
					Nov 06, 2023			
1	Salvare 09 2023	Series A1(a) PTC	14.66	14.66	Provisional [ICRA]A+(SO)	-	-	-
		Series A1(b) PTC	1.83	1.83	Provisional [ICRA]A-(SO)			
		Equity tranche	1.01	1.01	Provisional [ICRA]BBB-(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a) PTC	Moderately Complex
Series A1(b) PTC	Moderately Complex
Equity tranche	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	Scheduled Maturity	Amount rated (Rs. crore)	Rating
Salvare 09 2023	Series A1(a) PTC	October 2023	11.00%	May 2025	14.66	Provisional [ICRA]A+(SO)
	Series A1(b) PTC	October 2023	13.00%	May 2025	1.83	Provisional [ICRA]A-(SO)
	Equity tranche	October 2023	-	May 2025	1.01	Provisional [ICRA]BBB-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Shruti Jain

+91 22 6114 3472

shruti.jain@icraindia.com

Tina Parekh

+91 22 6114 3455

tina.parekh@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.