

November 13, 2023

## Lendingkart Finance Limited: Rating confirmed as final for PTCs backed by unsecured small business loan receivables issued by Brahmagupta 2023

### Summary of rating action

| Trust Name       | Instrument*  | Initial rated amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action  |
|------------------|--------------|----------------------------------|----------------------------------|--|
| Brahmagupta 2023 | PTC Series A | 11.30                            | 11.30                            | [ICRA]AA-(SO); provisional rating confirmed as final |

\*Instrument details are provided in Annexure I

### Rationale

In August 2023, ICRA had assigned a Provisional [ICRA]AA-(SO) rating to the Pass-through certificates (PTCs) Series A issued under a securitisation transaction originated by Lendingkart Finance Limited {Lendingkart; rated [ICRA]BBB+(Positive)}. The PTCs are backed by receivables from a Rs. 16.43-crore (pool principal amount of Rs. 12.70 crore) pool of unsecured small business loans (SBLs). 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 October 2023 payout month has been provided below.

| Parameter                              | Brahmagupta 2023 |
|--|------------------|
| Months post securitisation             | 2                |
| Pool amortisation                      | 14.94%           |
| PTC Series A amortisation              | 18.42%           |
| Cumulative prepayment rate             | 9.24%            |
| Cumulative collection efficiency       | 99.76%           |
| Loss cum 0+ dpd (days past due)        | 0.42%            |
| Loss cum 30+ dpd                       | 0.00%            |
| Loss cum 90+ dpd                       | 0.00%            |
| Cumulative cash collateral utilisation | 0.00%            |

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement (CE) 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

- 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, if any

## Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables was assigned at par to the PTC investors. As per the waterfall mechanism for the transaction, the monthly cash flow schedule comprises of promised interest payment to PTC Series A at the predetermined interest rate on the principal outstanding. The principal repayment to PTC Series A is promised on the last payout date.

The first line of support for PTC Series A in the transaction is in the form of a subordination (equity tranche) of 11.00% of the pool principal. Additionally, the EIS available in the structure will provide CE support to the transaction. The EIS (20.31% of the pool principal initially, based on the indicated PTC yield, for PTC Series A) will not flow back to the originator and will instead be utilised towards accelerated principal amortisation after the promised and scheduled payouts to the PTCs. All prepayment amounts would be passed on to PTC Series A (till PTC Series A principal is not fully amortised) every month and future payouts will be revised accordingly. The CC of 7.00% 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.

There were no overdues in the pool as on the cut-off date. The geographical concentration of the loan contracts in the current pool is low with the top 3 states constituting ~31% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~7 months) and pre-securitisation amortisation (~15%). Contracts with a ticket size of more than Rs. 10 lakh accounted for ~52% of the pool. Further, the CIBIL score of all of the contracts is greater than or equal to 700. The pool does not have contracts with a high interest rate 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 5.0-6.0% 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 holders on a monthly basis while the entire 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 Series A investors.

## Rating sensitivities

**Positive factors** – The rating 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 rating 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 | <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 nonbanking 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 (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 |
|         |                  |              |                          |                                | November 13, 2023       | August 14, 2023           |   |                         |                         |
| 1       | Brahmagupta 2023 | PTC Series A | 11.30                    | 11.30                          | [ICRA]AA-(SO)           | Provisional [ICRA]AA-(SO) | -   | -                       | -                       |

### Complexity level of the rated instrument

| Instrument   | Complexity Indicator |
|--------------|----------------------|
| PTC Series A | 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 |
|-------------------------|-----------------|-----------------------------|----------------|----------------|--------------------------|----------------|
| <b>Brahmagupta 2023</b> | PTC Series A    | August 2023                 | 10.50% p.a.p.m | January 2026   | 11.30                    | [ICRA]AA-(SO)  |

Source: Company

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

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Vishal Oza**

+91 22 6114 3432

[vishal.oza@icraindia.com](mailto:vishal.oza@icraindia.com)

**Sheetal Nayak**

+91 22 6114 3445

[sheetal.nayak@icraindia.com](mailto:sheetal.nayak@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto: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](http://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](http://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.