

November 24, 2023

Midland Microfin Limited: 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
Goldfish 09 2022	PTC Series A1	28.20	NA	3.63	[ICRA]AA-(SO); Upgraded from [ICRA]A(SO)
	PTC Series A2	1.03	NA	1.03	[ICRA]A+(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, Goldfish 09 2022, backed by a pool of microfinance loan receivables originated by Midland Microfin Limited (MML). The ratings upgrade is on account of the high amortisation in the pool, which has led to significant build-up of the credit enhancement (CE) cover available for 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 September 2023 collection month (October 2023 payout month) has been tabulated below.

Pool performance summary (till October 2023 payout month)

Particulars	Goldfish 09 2022
Months post securitisation	13
Pool amortisation	76.7%
PTC Series A1 amortisation	87.1%
PTC Series A2 amortisation	0.0%
Cumulative collection efficiency ¹	98.2%
Loss-cum-30+ dpd ² (% of initial pool)	2.1%
Loss-cum-90+ dpd ³ (% of initial pool)	1.6%
Cumulative cash collateral (CC) utilisation	0.0%
Cumulative prepayment rate	11.5%
Breakeven collection efficiency ⁴ for PTC Series A1	14.0%
For PTC Series A1 and A2	27.3%
CC (% of balance pool)	34.3%
Principal subordination (% of balance pool) PTC Series A1	51.5%
PTC Series A2	37.7%
Excess interest spread (EIS ⁵ ; % of balance pool) PTC Series A1	6.2%
PTC Series A2	5.7%

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 credit enhancement (CE) cover available for balance PTC payouts
- Healthy collections and low delinquency levels observed in the pool

Credit challenges

- High geographical concentration at state level with top 3 states accounting for ~77% of the balance pool
- Performance of the 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 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 ~98% as of the October 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 1.6% for the pool as of the October 2023 payout month, which is a healthy sign. There has not been any cash collateral (CC) utilisation in the transaction till date. Healthy collections and high pool amortisation of ~77% have led to significant build-up of the CE in the pool. The average monthly prepayment rate is low at ~1% for the pool as of the October 2023 payout. 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 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 seven standalone PTC transactions of MML, of which six have matured. The live pool, which has completed at least two payouts, has shown a high cumulative collection efficiency of more than 98% (including overdue collections), low delinquencies with the loss-cum-90+ dpd below 1.6%, and nil CC utilisation as of the October 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 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 1.0-2.0% 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 and PTC Series A2 holders (after PTC Series A1 has matured) on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The collections 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 – The 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 the September 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

Midland Microfin Limited (MML) is a registered non-banking financial company-microfinance institution (NBFC-MFI), which started microfinance operations in January 2011. It was initially engaged in the hire purchase business and was incorporated in 1988 as Sajan Hire Purchase Pvt Ltd. Sajan Hire Purchase was acquired by Mr. Amardeep Samra's Midland Group in 2010 as Mr. Samra wanted to venture into microfinance. The company was registered with the Reserve Bank of India (RBI) as an NBFC-MFI in January 2015. As on September 30, 2023, MML was operational in 12 states and 2 Union Territories, managing a portfolio of Rs. 2,039 crore.

Key financial indicators (audited)

	FY2021	FY2022	FY2023	H1 FY2024*
Interest income	191	208	355	203
Profit after tax	15	22	47	31
Assets under management (AUM)	799	1,137	1,789	2,039
Gross NPA	1.2%	3.1%	0.1%	2.2%
Net NPA	0.2%	1.0%	0.0%	1.1%

Source: Company, ICRA Research; *Limited review; 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 24, 2023	November 16, 2022	October 03, 2022	-	-
1	Goldfish 09 2022	PTC Series A1	28.20	3.63	[ICRA]AA-(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		PTC Series A2	1.03	1.03	[ICRA]A+(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Goldfish 09 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 Name	Date of Issuance	Coupon Rate	Final Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Goldfish 09 2022	PTC Series A1	September 2022	9.90%	June 2024	3.63	[ICRA]AA-(SO)
	PTC Series A2		13.00%		1.03	[ICRA]A+(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

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Sumit Kumar Pramanik
+91 22 6114 3462
sumit.pramanik@icraindia.com

Tina Parekh
+91 22 6114 3455
tina.parekh@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Vishal Oza
+91 22 6114 3432
vishal.oza@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.