December 07, 2023

DMI Finance Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by PLUM 24-4

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
PLUM 24-4	PTC Series A1	127.24	[ICRA]AA(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In October 2023, ICRA had assigned Provisional [ICRA]AA(SO) rating to Pass Through Certificate (PTC) Series A1 issued by PLUM 24-4. The PTCs are backed by receivables from a Rs. 144.59 crore (pool principal; receivables of Rs. 185.39 crore) pool of a personal loan receivables originated by DMI Finance Private Limited (DMI/Originator) (rated [ICRA]AA(Stable)/[ICRA]A1+). 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 November 2023 payout month has been provided below.

Parameter	PLUM 24-4
Months post securitisation	1
Pool amortisation	11.58%
PTC Series A1 amortisation	13.16%
Cumulative collection efficiency	98.79%
Loss-cum-0+ dpd	1.22%
Loss cum 30+ dpd	0.00%
Cumulative prepayment rate	8.05%
Cumulative cash collateral (CC) 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)
- The current pool has no overdue contracts as on pool cut-off date.
- The share of salaried borrowers is high in the pool and constitutes ~84% of initial pool principal.

Credit challenges

- Higher share of high interest rate contracts with ~44% of contracts in initial pool having interest rate greater than 24%
- 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

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to PTC Series A1 at the predetermined interest rate on the principal outstanding. The entire principal is promised on the final maturity date. During the tenure of PTC Series A1, the collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1 (100% of principal billed). However, this principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A1 would be carried forward to the subsequent payout. The EIS, if any, shall flow back to the originator on every payout date after making all the payouts to PTC Series A1 as per the waterfall mechanism.

The first line of support for PTC Series A1 in the transaction is in the form of over-collateralisation of 12.00% of the initial pool principal. Additionally, the EIS of ~19.7% of the initial pool principal available in the structure provides CE support. A CC of 8.00% of the initial pool principal provided by DMI acts 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 shortfall.

There were no overdues in the pool as on the cut-off date. The pool has average seasoning of 6.7 months and pre-assignment amortisation of 17.4% as on the cut-off date. All the contracts in the initial pool had a CIBIL score of at least 700 while 50.2% had a CIBIL score of 750 and above. The pool has high share of salaried borrowers at ~84%. The pool also has a higher share of higher interest rate contracts with 44% of the contracts having an IRR of more than 24%. The company also has a lower track record of ~4 years in the personal loan business. While delinquencies in the portfolio have been low, the same was aided by write-offs. Some of the older vintages in the portfolio were impacted by the Covid-19 pandemic while recoveries from write-offs were lower as expected, given the unsecured nature of the loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Also, its performance would remain exposed to any macro-economic shocks/business disruptions.

Past rated pools performance: Till date, ICRA has rated eight standalone PTC transactions of DMI backed by personal loan receivables. The live pools have shown healthy collection efficiency, low delinquencies and nil CC utilisation as of the October 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 6.00-7.00% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 4.8-18.0% 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 principal amount is promised on the scheduled maturity date of the transaction. Also, the cash flows from the pool and the available CE are expected to be comfortable 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 (monthly collection efficiency of more than 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 of less than 90%), leading to higher-than-expected delinquency levels and CE utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

DMI Finance Private Limited (DMI), incorporated in 2008, is a private financial services company registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). While it was mainly engaged in secured corporate lending (largely to real estate builders) till a few years ago, it has shifted focus to digital lending wherein it provides consumption loans, personal loans and micro, small and medium enterprise (MSME) loans. This is a completely digital-technology-driven business with API-based origination, underwriting and loan management systems. Herein, DMI predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers and technology-driven aggregators.

On a standalone basis, as on March 31, 2023, consumer loans accounted for 79% (62% as on March 31, 2022) of the Rs. 7,511-crore loan book with the wholesale real estate lending book, accounting for a 16% share, with the non-real estate wholesale loan book accounting for the balance.

Key financial indicators (standalone)

Particular for	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (A)
Total income	645	764	911	1,656
Profit after tax	99	22	58	324
Gross loan book	3,725	3,655	5,432	7,511
Gross NPA	4.6%	3.9%	2.2%	3.60%
Net NPA	1.9%	1.5%	0.3%	1.50%

Source: ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3">Sr. No.</th><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2024)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating in FY2024</th><th>Date & Rating in FY2023</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th></tr>
<tr><th>December 07, 2023</th><th>October 03, 2023</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>1</td><td>PLUM 24-4</td><td>PTC Series A1</td><td>127.24</td><td>127.24</td><td>[ICRA]AA(SO)</td><td>Provisional [ICRA]AA(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Complexity level of the rated instrument

Instrument	Complexity Indicator
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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
PLUM 24-4	PTC Series A1	September 2023	9.35%	March 2027	127.24	[ICRA]AA(SO)

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

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

Gaurav Mashalkar
+91 22 6114 3431
gaurav.mashalkar@icraindia.com

Palak Bhatt
+91 22 6114 3450
palak.bhatt@icraindia.com

Advait Athavale
+91 22 6114 3433
advait.athavale@icraindia.com

RELATIONSHIP CONTACT

L.Shivakumar
+91 22 6114 3304
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.

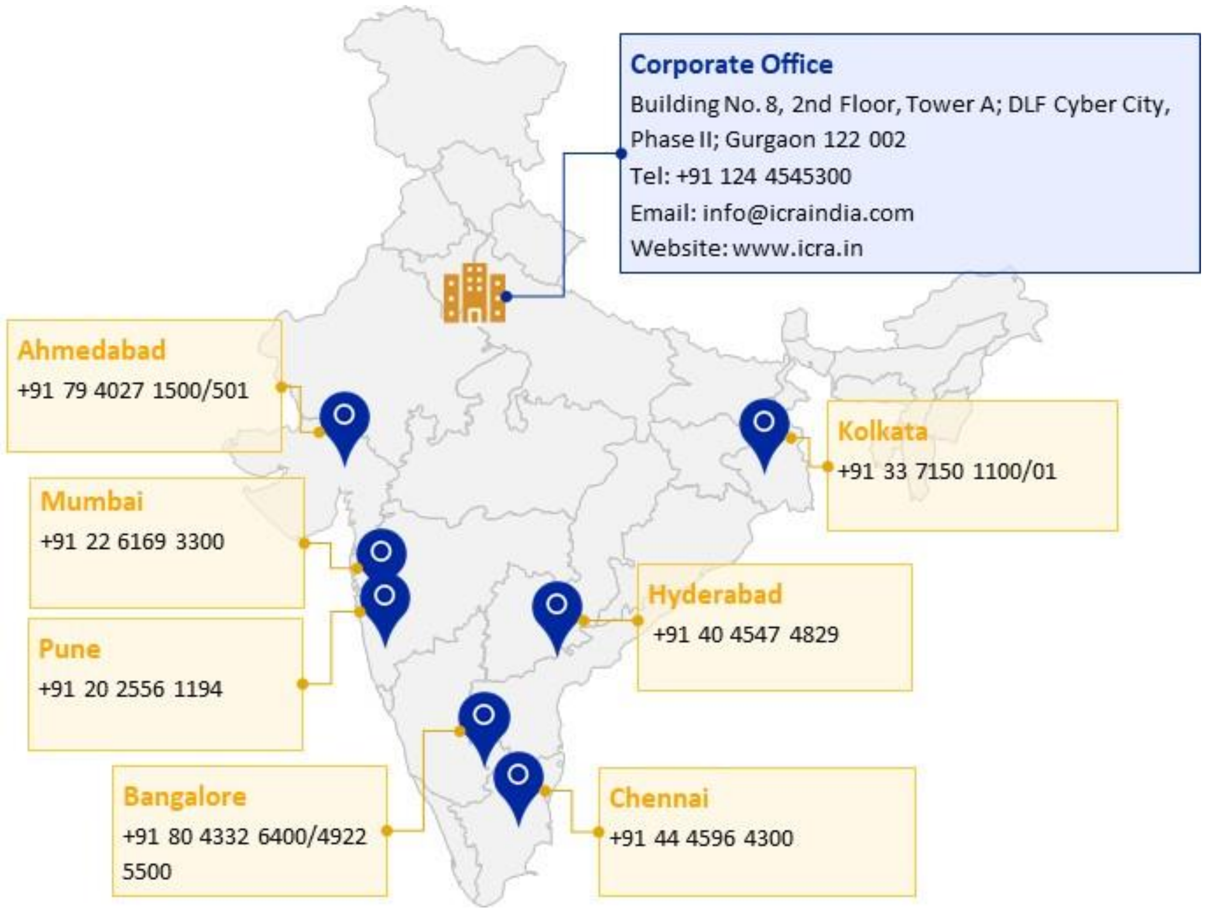
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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