

December 27, 2023

Save Microfinance Pvt. Ltd.: Rating confirmed as final for PTCs backed by micro loan 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	[ICRA]A+(SO); provisional rating confirmed as final
	Series A1(b) PTC	1.83	[ICRA]A-(SO); provisional rating confirmed as final
	Equity Tranche	1.01	[ICRA]BBB-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-I

Rationale

In November 2023, ICRA had 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 receivables (underlying pool principal outstanding of Rs. 18.32 crore). 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	Salvare 09 2023
Months post securitisation	1
Pool amortisation	10.0%
PTC Amortisation Series A1(a) PTC	12.8%
PTC Amortisation Series A1(b) PTC	0.0%
Cumulative collection efficiency (including advance) ¹	98.4%
Monthly Collection Efficiency	98.4%
Loss-cum-0+ dpd ²	0.7%
Loss cum 30+ dpd ³	0.2%
Loss cum 90+ dpd ⁴	0.0%
Cumulative Prepayment rate	0.04%
Cumulative cash collateral (CC) utilisation	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of Excess Interest Spread, overcollateralisation/ subordination and cash collateral
- No overdue contracts in the pool as on the cut-off date
- Pool has weighted average seasoning of ~33 weeks and amortisation of ~23% as on cut off date

¹ Cumulative collections/ (Cumulative billings + Opening overdues at the time of securitisation)

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitization

³ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitization

⁴ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitization

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, the performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any
- 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 political and communal risks, if any.

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 subordination of 20.00% of the pool principal (includes principal payable to PTC Series A1(b)). After PTC Series A1(a) has been fully paid, subordination of 10.00% of the pool principal will be available for PTC Series A1(b). After PTC Series A1 has been fully paid, subordination of 4.50% of the pool principal will be available for Equity tranche. A cash collateral (CC) of 5.00% of the initial pool principal is provided by Save, which can be utilized in case of shortfall for any promised payouts to PTC investors. In addition, there is EIS available in the structure. After the promised and scheduled payout 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) PTC and Series A1(b) PTC on a pari-passu basis. After making the promised interest payouts to Series A1(a) PTC and A1(b), 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) PTC and Series A1(b) PTC 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) PTC and Series A1(b) PTC on a pari-passu basis. After making the promised interest payouts, collections will be utilised for the redemption of Series A1(a) PTC and A1(b) 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) PTC and Series A1(b) PTC on a pari-passu basis for the respective amounts outstanding till complete redemption. Equity Tranche PTC payouts are completely subordinated to Series A1 PTC payouts. The principal payment to Equity Tranche are expected post full redemption of Series A1 PTC. The principal payments to Equity tranche PTC is promised on only 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 22.89% as on cut off date. The pool is geographically concentrated with the top state (Bihar) constituting 44.39% 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.

Past rated pools performance: : 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 0+ days past due (dpd) bucket were below 1% as of the November 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 A1(a): Strong

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

Liquidity position A1(b): Strong

As per the transaction structure, only the interest amount is promised to the Series A1(b) 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 credit enhancement are expected to be comfortable to meet the promised payouts to PTC Series A1(b) investors.

Liquidity position Equity tranche: Adequate

As per the transaction structure, the principal payment to Equity Tranche are expected post full redemption of Series A1 PTC. The principal payments to Equity tranche PTC is promised on only 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 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. 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

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 (In Crs.)	FY2022 (In Crs.)	FY2023 (In Crs.)	H1FY2024 (In Crs.)
Total income	24.20	62.47	171.50	107.93
Profit after tax	3.54	0.50	17.14	8.55
Assets under management	201.48	513.21	986.52	797.15
Gross non-performing assets (NPA)	4.22	5.98	8.53	9.80
Net NPA	1.25	1.23	0.46	1.15

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
					Dec 27, 2023	Nov 06, 2023			
1	Salvare 09 2023	Series A1(a) PTC	14.66	14.66	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-
		Series A1(b) PTC	1.83	1.83	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)			
		Equity tranche	1.01	1.01	[ICRA]BBB-(SO)	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	[ICRA]A+(SO)
	Series A1(b) PTC	October 2023	13.00%	May 2025	1.83	[ICRA]A-(SO)
	Equity tranche	October 2023	-	May 2025	1.01	[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 6169 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:

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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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