

January 12, 2024

Satya MicroCapital Ltd.: Rating reaffirmed 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
Nile 05 2023	PTC Series A1	42.86	NA	25.33	[ICRA]A+(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under the securitisation transaction, Nile 05 2023, backed by a pool of microfinance loan receivables originated by Satya MicroCapital Ltd. {SML; rated [ICRA]BBB+ (Stable)}. The rating reaffirmation is on account of the moderate amortisation in the pool, which has led to the build-up of the credit enhancement (CE) cover over the 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 November 2023 collection month (December 2023 payout month) has been tabulated below.

Pool performance summary (till December 2023 payout month)

Particulars	Nile 05 2023
Months post securitisation	6
Pool amortisation	36.8%
PTC Series A1 amortisation	40.9%
Cumulative collection efficiency ¹	98.4%
Loss-cum-30+ dpd ² (% of initial pool)	2.8%
Loss-cum-90+ dpd ³ (% of initial pool)	1.0%
Cumulative cash collateral (CC) utilisation	0.0%
Cumulative prepayment rate	3.2%
Breakeven collection efficiency ⁴ for PTC Series A1	64.5%
CC (% of balance pool)	14.2%
Principal subordination (% of balance pool) PTC Series A1	15.8%
Excess interest spread (EIS ⁵ ; % of balance pool) PTC Series A1	10.6%

Key rating drivers and their description

Credit strengths

- Moderate amortisation of pool resulting in build-up of Cash Collateral (CC), Principal subordination and Excess Interest Spread cover available for the balance PTC payouts.

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

- Low delinquency levels observed with healthy collection efficiency in the pool.

Credit challenges

- High geographic concentration at state level with the top three states having ~62% share in the balance pool
- 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 performance would also 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 December 2023 payout month. The monthly collection efficiency has exceeded 96% in all the months post securitisation. The loss-cum-90+ days past due (dpd) was ~1% for the pool as of the December 2023 payout month. There has not been any CC utilisation in the transaction till date in any of the payouts. Healthy collections and moderate pool amortisation of ~37% has led to the build-up of the CE in the pool with a breakeven collection efficiency of ~64%. The average monthly prepayment rate is low at 0.5% for the pool. Overall, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the rating at the current level 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 21 standalone PTC transactions of SML. The live pools, which have completed at least two payouts, have shown high cumulative collection efficiency of more than 96% (including overdue collections), low delinquencies with the loss-cum-90+ dpd below 3%, and nil CC utilisation as of the December 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 the 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 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 3.0-9.0% per annum.

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the CE available to meet the promised payouts to the investor. The total CE would be 5.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool, leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE.

Negative factors – Sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till November 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

Satya MicroCapital Ltd. is a Delhi-based non-banking financial company (NBFC), which was incorporated in 1995. It started its microfinance operations in FY2017 by adopting the joint liability group (JLG) model with fortnightly and monthly collection cycles. The company primarily offers JLG loans with ticket sizes in the median range of Rs. 25,000-75,000 and individual microloans with ticket sizes in the range of Rs. 45,000-80,000 at interest rates of 24-26%, along with a processing fee of 0.75-0.50% for JLG loans and 3% for individual loans. SML mainly focusses on lending to women (husbands/sons above 18 years of age act as nominees) aiming to start a new business or enhance an existing business. Typically, the average tenure of loans under JLG is slightly over two years. As on March 31, 2023, the operations were spread geographically in 279 districts across 22 states/Union Territories.

The company reported a profit after tax (PAT) of Rs. 76 crore (provisional) in H1 FY2024 against Rs. 53 crore in FY2023. Its assets under management (AUM) stood at Rs. 4,836 crore as on September 30, 2023, registering an annualised growth of ~7% in H1 FY2024.

Key financial indicators (audited – IndAS)

	FY2021 (audited)	FY2022 (audited)	FY2023 (audited)	H1 FY2024 (provisional)
Net interest income	116.7	162.2	279.9	237.3
Profit after tax	10.2	32.5	53.0	75.6
Gross AUM (IGAAP valuation)	1,476	2,884	4,684	4,836
Gross NPA	1.5%	3.3%	1.3%	1.6%
Net NPA	0.6%	2.5%	0.5%	1.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years		
					Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					January 12, 2024	August 08, 2023	June 14, 2023			
1	Nile 05 2023	PTC Series A1	42.86	25.33	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Nile 05 2023	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 Name	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nile 05 2023	PTC Series A1	June 2023	9.95%	February 2025	25.33	[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

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

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

Pratik Vora
+91 22 6114 3438
pratik.vora@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

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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.

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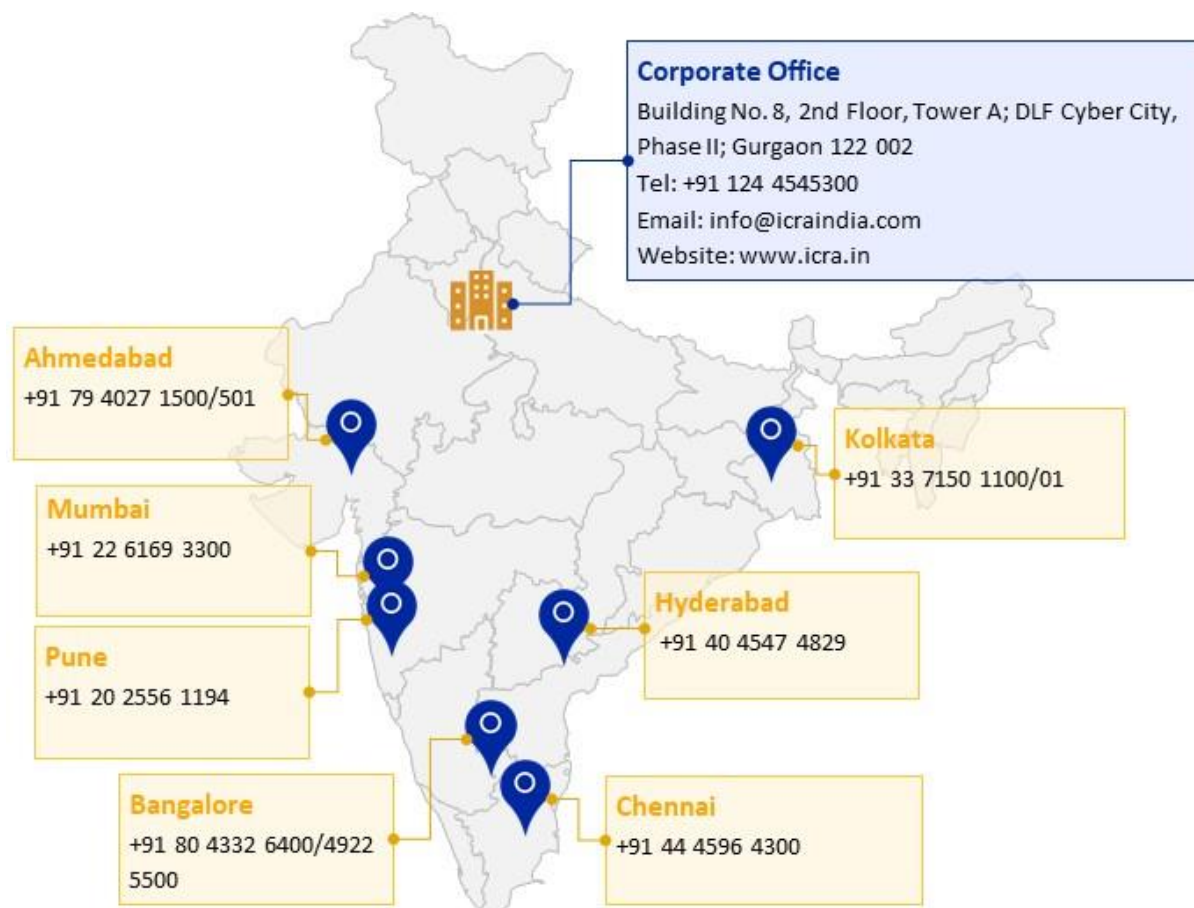


Registered Office

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



Branches



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