

January 18, 2024

Namra Finance Limited: Rating 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
Nimbus 2022 MFI Dholera	PTC Series A1	22.75	NA	5.00	[ICRA]AA(SO); Upgraded from [ICRA]A+(SO)

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the rating for the pass-through certificates (PTCs) issued under one securitisation transaction, Nimbus 2022 MFI Dholera, backed by a pool of microfinance loan receivables originated by Namra Finance Limited (NFL). The rating upgrade is on account of the healthy 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) has been tabulated below.

Pool performance summary (till December 2023 payout month)

Particulars	Nimbus 2022 MFI Dholera
Months post securitisation	11
Pool amortisation	58.1%
PTC Series A1 amortisation	78.0%
Cumulative collection efficiency ¹	99.0%
Loss-cum-30+ dpd ² (% of initial pool)	1.6%
Loss-cum-90+ dpd ³ (% of initial pool)	1.1%
Cumulative cash collateral utilisation	0.0%
Cumulative prepayment rate	4.5%
Breakeven collection efficiency ⁴ for PTC Series A1	22.1%
Cash collateral (CC) (% of balance pool)	23.9%
Principal subordination (% of balance pool)	52.8%
Excess interest spread (EIS) ⁵ (% of balance pool)	8.8%

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 the balance PTC payouts
- Healthy collections and low delinquency levels observed in the pool

Credit challenges

- High geographic concentration at state level with the top three states having ~70% 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, performance of pool 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 cumulative collection efficiency around 99% as of the December 2023 payout month. The monthly collection efficiency has been upwards of 96% in all the months post securitisation. The loss-cum-30+ days past due (dpd) has been low and stood at 1.6% as of the December 2023 payout month. There has been no cash collateral (CC) utilisation in the transaction till date in any of the payouts. Strong collections and healthy pool amortisation of to the tune of ~58%, have led to significant build-up of the CE in the pool and low breakeven collection efficiency. The average monthly prepayment rate is lower at 0.4%. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating 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 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: ICRA has rated 12 microfinance loan receivable PTC transactions originated by NFL. The live pools have shown high cumulative collection efficiency above 98% and low delinquencies with the loss-cum-90+ dpd at sub-2.0% and nil CC utilisation as of the December 2023 payout.

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 pools 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 2.0-3.0% 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: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded if the CC fully covers the future PTC Payouts.

Negative factors – Sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and higher credit enhancement 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

Namra Finance Limited (“Namra”), a wholly owned subsidiary of Arman Financial Services Limited. Micro-Finance is regulated by RBI & it allows only NBFC- MFI for the Microfinance operations, hence a wholly owned structure was set up in Namra. Namra’s operations are spread across central & western India in the states of Gujarat, Madhya-Pradesh, Uttar Pradesh, Uttarakhand, Maharashtra, Rajasthan & Haryana. The Lending is done with a ticket size of Rs. 46,000 through cashless transfers into borrower bank accounts. Namra lends mainly to women borrowers through Joint Liability Groups -JLGs. As of September 30, 2023, the microfinance operation of the group had 309 branches spread over 119 districts in nine states. The company had around 6.0 lakh+ customer active customers.

Key financial indicators (audited)

	FY2021 (A)	FY2022 (A)	FY2023 (A)	H1FY2024*
Total income	134.0	173.0	331.5	246.9
Profit after tax	4.9	18.5	67.2	65.6
Assets under management	642.4	1,022.0	1,628.0	1,944.9
Gross NPA	4.63%	3.7%	2.8%	2.4%
Net NPA	2.98%	0.6%	0.1%	0.1%

*Provisional, Amount in Rs. crore

Source: Company’s financial statements, ICRA Research

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	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
					January 18, 2024	February 15, 2023	January 03, 2023		
1	Nimbus 2022 MFI Dholera	PTC Series A1	22.75	5.00	[ICRA]AA(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Nimbus 2022 MFI Dholera	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	Final Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 MFI Dholera	PTC Series A1	December 2022	10.00%	September 2024	5.00	[ICRA]AA(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

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

Advait Athavale
+91 22 6114 3433
advait.athavale@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

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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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