

March 08, 2024

Blue Jay Finlease Private Limited: Rating downgraded to [ICRA]BB+(SO) for PTCs issued under unsecured small business loan receivables

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Current Outstanding Amount after Feb 2024 Payout (Rs. crore)	Rating Action
Lotus 09 2022	Series A1 PTC	3.12	1.42	0.88	[ICRA]BB+(SO); Downgraded from [ICRA]BBB-(SO)
LILY 09 2022	Series A1 PTC	1.64	1.21	0.88	[ICRA]BB+(SO); Downgraded from [ICRA]BBB-(SO)

*Instrument details are provided in Annexure I

Rationale

The Pass-Through Certificates (PTCs) are backed by a pool of unsecured small business loan receivables originated by Blue Jay Finlease Private Limited (Bluejay). The ratings have been downgraded on account of weak pool performance as reflected in deteriorating collection efficiency and rising delinquency levels. The monthly collection efficiencies for both the pools have seen high volatility in recent months and are currently trending closer to the breakeven collection efficiency required to ensure complete payout to the investors. The delinquencies are higher than ICRA's initial expectations and thus the ability of the servicer i.e. Bluejay to recover overdue collections and reduce the delinquencies seen in the harder buckets (90+dpd) remains important. However, this is partly offset by the fact that both pools are amortised by 68% and 47% respectively Lotus 09 2022 and LILY 09 2022. Also, cash collateral is 20% and 29% of balance pool principal outstanding.

Pool performance summary

A summary of the performance of the pool till the January 2024 collection (February 2024 payout) month has been tabulated below.

Parameter	Lotus 09 2022	LILY 09 2022
Months post securitisation	16	13
Pool amortisation	68.1%	47.4%
Series A1 PTC amortisation	71.9%	46.3%
Cumulative collection efficiency ¹	87.2%	86.2%
Loss-cum-90+ dpd ² (% of initial pool principal) ³	13.5%	17.7%
Loss-cum-180+ dpd (% of initial pool principal) ⁴	9.9%	10.1%
Breakeven collection efficiency ⁵ Series A1 PTC	56.1%	66.4%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
CC available (as % of balance pool principal)	20.3%	28.5%
Excess interest spread (EIS) (as % of balance pool principal)	8.5%	7.3%

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² Days past due

³ Principal outstanding (POS) on contracts aged 90+ dpd + Overdues / Initial POS on the pool

⁴ POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

⁵ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows

Parameter	Lotus 09 2022	LILY 09 2022
Cumulative prepayment rate ⁶	0.1%	0.5%

Key rating drivers

Credit strengths

- Build-up of credit enhancement cover available for the balance payouts due to amortisation of the pools

Credit challenges

- Decline in the collection efficiency seen in the pools leading to higher-than-expected delinquency buildup
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could be affected by macro-economic shocks/business disruptions.
- Weakening credit profile of the servicer; ongoing merger process remains a key monitorable

Description of key rating drivers highlighted above

The performance of the pools has deteriorated in recent months with monthly collection efficiency declining to 49.6% and 55.4% in January 2024 payouts for Lotus 09 2022 and LILY 09 2022 respectively before modest recovery seen to 72.3% and 71.9% respectively in February 2024 payouts. The delinquency levels in the 90+ dpd in the pools witnessed sharp increase in recent months and stood at 13.5% and 17.7% for Lotus 09 2022 and LILY 09 2022 respectively post February 2024 payouts which is higher than ICRA's initial estimates. The credit enhancement has build up to a certain extent given that the pools have amortised in the range of 47% to 68%.

Bluejay is currently in the midst of a merger process with Stride Fintree Private Limited. The business of Bluejay has thus significantly reduced resulting in a weaker standalone credit profile. Bluejay has been taking steps to strengthen its collections team and thereby improve the overall collection efficiency. Ability of the entity to improve current collections as well as ensure higher recovery from the overdue collections would remain important from a credit perspective. ICRA would be monitoring the on-going merger process and its impact on Bluejay's ability to function adequately in its role as the servicer for the rated transactions. ICRA further notes that the pool performance remains exposed to inherent credit risk associated with the unsecured nature of the asset class and would be affected by any macroeconomic shocks/business disruptions, going forward.

The rating downgrade for the PTCs is driven by the continued deterioration observed in the underlying pools' performance. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools, the availability of CE relative to ICRA's expectations and changes in the credit profile of the servicer.

Key rating assumptions

ICRA's cash flow modelling for the surveillance 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, and 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.

⁶ POS at the time of prepayment of contracts prepaid till date / Initial pool principal

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the following table:

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Lotus 09 2022	13.0-14.0%	4.8-18.0% p.a.
2	LILY 09 2022	18.0-19.0%	4.8-18.0% p.a.

Liquidity position- Poor

Transaction name: Lotus 09 2022 and LILY 09 2022:

The liquidity for Series A1 PTC is poor after factoring in the credit enhancement available to meet the promised payout to the investors.

Rating sensitivities

Positive factors – The ratings could be upgraded if the performance of the pools were to witness sustained improvement in collection performance leading to material improvement in the delinquency levels.

Negative factors – The ratings could be downgraded if the collection efficiency continued to remain weak such that the delinquency levels further increase from the current levels. Further, weakening in credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till February 2024 (payout month), the present delinquency profile of the pools, the CE available in the pools, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Blue Jay Finlease Private Limited (under tradename of “ZipLoan”) is a Delhi-based NBFC which started its operations in 2015 to provide unsecured working capital finance to the underserved micro enterprise segment. The company had onboarded Stride Fintree Private Limited as a strategic investor for 22% minority stake pursuant to a binding SPA signed in the month of September-22. The company is in the midst of merger process with Stride Fintree Private Limited.

Prior to the proposed merger the company had operations in 6 locations which includes Delhi, Indore, Lucknow, Jaipur, Mumbai and Dehradun. The company used to offer ticket sizes ranging from Rs. 1-7.5 lakhs charging a rate of interest of around 24%-26% for a tenure of upto 36 months.

Key financial indicators (audited)

	FY2021	FY2022	FY2023	3MFY2024
Total Income	38.16	30.20	10.60	3.01
Profit after Tax	-22.46	-34.55	-12.40	-0.43
Total Managed Assets	151.72	79.14	48.47	47.05
GNPA	8.01%	12.25%	37.80%*	NA
CRAR	NA	NA	53.91%	NA

Source: Company data, ICRA Research; Amount in Rs. crore

*Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument Name	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
				Mar 08, 2024	Sep 26, 2023	Jan 20, 2023	Oct 12, 2022	-	-
Lotus 09 2022	Series A1 PTC	3.12	0.88	[ICRA]BB+(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-

Trust Name	Instrument Name	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
				Mar 08, 2024	Sep 26, 2023	May 02, 2023	Dec 30, 2022	-	-
LILY 09 2022	Series A1 PTC	1.64	0.88	[ICRA]BB+(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Lotus 09 2022	Series A1 PTC	Moderately Complex
LILY 09 2022	Series A1 PTC	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
Lotus 09 2022	Series A1 PTC	October 2022	13.30%	March 2025	0.88	[ICRA]BB+(SO)
LILY 09 2022	Series A1 PTC	December 2022	13.50%	May 2025	0.88	[ICRA]BB+(SO)

* Scheduled maturity date at transaction initiation, may change on account of prepayments in the underlying pool

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

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