

March 19, 2024

Keertana Finserv Private Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Twilight 12 2023

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Twilight 12 2023	Series A1 PTCs	49.99	[ICRA]A+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In December 2023, ICRA had assigned a Provisional [ICRA]A+(SO) rating to Series A1 PTCs issued by Twilight 12 2023. The pass-through certificates (PTCs) are backed by micro finance receivables of a Rs. 57.46-crore (pool principal; receivables of Rs. 69.48 crore) originated by Keertana Finserv Private Limited (Keertana/originator; {[ICRA]BBB(Stable)}/[ICRA]A3+). 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 have now been confirmed as final.

A summary of the pool performance after the February 2024 payouts is provided in the table below:

Parameter	Twilight 12 2023
Month Post securitisation	1
Pool Amortisation	5.0%
Series A1 PTCs amortisation	5.8%
Monthly collection efficiency	100.0%
Cumulative collection efficiency	100.0%
Loss cum 0+ DPD	0.0%
Loss cum 30+ DPD	0.0%
Loss cum 90+ DPD	0.0%
Cumulative Prepayment	0.2%
CC Utilisation %	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS, over-collateralisation and CC
- None of the contracts in the pool are delinquent as on cut off date and have never been delinquent since origination till cut off date.
- Average seasoning of ~7 months and average pre-securitisation amortisation of ~23% as on the cut-off date

Credit challenges

- High geographical concentration with top state (Andhra Pradesh) contributing around 89% of the initial pool principal
- 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, if any
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

According to the transaction structure, the underlying loans follow a monthly payment schedule. The monthly cash flow schedule comprises the promised interest payment to Series A1 PTCs at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 PTCs is promised on maturity i.e. the last payout date of September 17, 2025. On each payout date, after meeting the promised Series A1 PTCs interest payouts, all excess cash flow to the extent of the principal billed, will be paid out to meet the expected Series A1 PTCs principal payout.

The first line of support for Series A1 PTCs in the transaction is in the form of a subordination of 13.00% of the pool principal. The originator has provided a CC of 7.00% of the total pool principal (amounting to Rs. 4.02 crore). In the event of a shortfall in meeting the promised PTC payouts during any month, the CC will be used to meet the same. Further, excess collections in a month – after meeting the promised PTC payouts – would first be used to top up the CC to the extent of past utilisation.

There were no overdue in the pool as on the cut-off date. The pool had average pre-securitisation amortisation of 23.4% and weighted average seasoning of ~7 months as on the cut-off date. It had high geographical concentration with the top 5 districts account for 84.9% and top state accounting for 89% of the initial pool principal amount. The pool's performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, its performance would also be exposed to natural calamities and political and communal risks, if any.

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 considering 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 3.75%-4.75% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 3.0%-9.0% per annum (with a mean of 6.0%).

Liquidity position: Superior

The liquidity for Series A1(a) PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.50 times the estimated loss in the pool.

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 rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), 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 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

Keertana Finserv Private Limited (Keertana/KFPL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Keertana's AUM stood at Rs. 1,204.2 crore through 304 branches (249 operational) as of December 2023. Gold loans and JLG contributed 44% each to the AUM while MSME and LAP accounted for 7% and 5%, respectively, as of December 2023. Keertana reported a net profit of Rs. 16.0 crore on a managed asset base of Rs. 700.6 crore in FY2023 compared with a net profit of Rs. 0.2 crore on a managed asset base of Rs. 2.8 crore in FY2022. It reported a provisional net profit of Rs. 52.2 crore on a managed asset base of Rs. 1,549.1 crore in 9M FY2024

Key financial indicators

Keertana – Standalone	IGAAP	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2022	FY2023	9MFY2024
Total income	0.3	91.8	187.2
Profit after tax	0.2	16.0	52.2
Total managed assets	2.8	700.6	1,549.1
Gross Stage 3	0.0%	0.0%	0.0%
CRAR	144.5%	26.0%	27.0%

Source: Company, 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

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
				March 19, 2024	January 04, 2024	-	-	-
Twilight 12 2023	Series A1 PTCs	49.99	49.99	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTCs	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
Twilight 12 2023	Series A1 PTCs	December 2023	12.50%	September 17, 2025	49.99	[ICRA]A+(SO)

*Scheduled PTC 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 61143470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Ritu Rita

+91 22 61143409

ritu.rita@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



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.