

March 26, 2024

Lendingkart Finance Limited: Rating upgraded for PTCs issued under unsecured business 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 SBL Norwich	PTC Series A1	12.27	NA	2.64	[ICRA]A+(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 the securitisation transaction, Nimbus 2022 SBL Norwich, backed by a pool of unsecured business loan receivables originated by Lendingkart Finance Limited {LFL; rated [ICRA]BBB+ (Positive)}. The rating upgrade is on account of the high amortisation in the pool, which has led to significant 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.

Pool performance summary

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

Parameter	Nimbus 2022 SBL Norwich
Months post securitisation	14
Pool amortisation	69.85%
PTC amortisation – PTC Series A1	78.48%
Cumulative collection efficiency ¹	96.36%
Loss-cum-30+ (% of initial pool principal) ²	4.39%
Loss-cum-90+ (% of initial pool principal) ³	4.02%
Breakeven collection efficiency ⁴ – PTC Series A1	46.12%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	13.27%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal) ⁵ – PTC Series A1	10.85%
Principal subordination (% of balance pool principal) – PTC Series A1	36.48%
Cumulative prepayment rate	25.79%

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

² POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

³ POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

⁴ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (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

Credit strengths

- High amortisation of PTCs resulting in healthy build-up of credit enhancement (CE) cover available for the balance PTC payouts.

Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; performance of the pool would remain exposed to macro-economic shocks/business disruptions.

Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of ~96% till the February 2024 payout month, despite a dip in the monthly collections over the last few months. This has been due to lower collections from overdue contracts, which resulted in some slippages in the delinquencies. While the increase in softer delinquency buckets has been slow, the loss-cum-90+ days past due (dpd) has been increasing over the last few months and remains moderate at 4.0%. Some improvement in collections is expected in next few months by the management of LFL. The pool has seen moderate prepayments with an average monthly prepayment rate of 2.1% and it has amortised by ~70%. There has been no CC utilisation in the pool till the February 2024 payout month. Due to the high amortisation and nil CC utilisation till date, there has been a significant build-up of the CE in the transaction with respect to the balance pool principal. Going forward, the pool would remain exposed to the inherent credit risks associated with the unsecured nature of the asset class and any macro-economic shocks/business disruptions.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating in the transaction. ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

Performance of past rated pools: ICRA has rated 49 pools originated by LFL. The performance of the live pools (which have completed at least 2 months post securitisation) has been healthy till date with the cumulative collection efficiency in the range of 92-98% for all the transactions. No CC has been utilised till the February 2024 payout month.

Key rating assumptions

ICRA's cash flow analysis for 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 3.5-4.5% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-18.0% per annum.

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4 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 of contracts leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors- The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and CE utilisation levels. 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 January 2024 (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

Lendingkart Finance Limited (formerly Aadri Infin Limited) is a Lendingkart Group company, which is registered as an NBFC and provides unsecured SME loans. Lendingkart Technologies Private Limited (LTPL) is the technology arm of the Ahmedabad-based Lendingkart Group and holds 100% stake in LFL. The Group was started in 2014 by co-founders, Mr. Harshvardhan Lunia and Mr. Mukul Sachan, and raised funds from Fullerton Financial Holdings (FFH), Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darren Capital Management.

The Lendingkart Group is a part of the evolving fintech industry and it leverages technology to underwrite credit to the SME segment, which is difficult for traditional banks and NBFCs to access. Loans are given to microenterprises for meeting their working capital needs. The underwriting is based on the scoring by a proprietary algorithm.

Key financial indicators (standalone)

	FY2022	FY2023	Q1FY2024
	Audited	Audited	Unaudited
Total income	639	824	242
Profit after tax	(141)	116	26
Total Managed assets	3,908	6,007	6,670
Gross stage 3	3.9%	2.6%	2.7%
CRAR	25.9%	36.0%	35.0%

Source: Lendingkart, 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	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			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
					Mar 26, 2024	Mar 09, 2023	Dec 26, 2022	-	-
1	Nimbus 2022 SBL Norwich	PTC Series A1	12.27	2.64	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

*Provisional rating assigned

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2022 SBL Norwich	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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 SBL Norwich	PTC Series A1	December 2022	11.50%	February 2025	2.64	[ICRA]A+(SO)

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

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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