

April 19, 2024

Keertana Finserv Private Limited: Provisional [ICRA]A(SO) rating assigned to instrument backed by microenterprise loan receivables issued by Amber 04 24

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Amber 04 24	Series A1 SNs	46.08	Provisional [ICRA]A(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned a provisional rating to the Series A1 securitisation notes (SNs) issued by Amber 04 24 Trust under a securitisation transaction originated by Keertana Finserv Private Limited (Keertana)/originator; rated [ICRA]BBB (Stable)/[ICRA]A3+. The SNs are backed by a pool of microenterprise loan receivables originated by Keertana with an aggregate principal outstanding of Rs. 52.66 crore (pool receivables of Rs. 63.59 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts. Credit enhancement (CE) is available in the form of (i) a cash collateral (CC) of 3.00% of the initial pool principal to be provided by Keertana (originator), (ii) subordination of 12.50% of the initial pool principal for Series A1 SNs consisting of over-collateralisation (OC) and an equity tranche, and (iii) the entire excess interest spread (EIS) of 13.03% in the structure, as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure, due diligence audit of the pool, ICRA's review of the documentation pertaining to the transaction, and the furnishing of a legal opinion on the transaction to ICRA by Keertana.

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, subordination and CC
- None of the contracts in the pool were delinquent as on the cut-off date and have never been delinquent since origination till the cut-off date
- Weighted average seasoning of ~32 weeks and weighted average pre-securitisation amortisation of ~24% as on the cut-off date

Credit challenges

- High geographical concentration with top state (Andhra Pradesh) contributing around 87% to 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's performance would be exposed to political and communal risks, if any
- Performance of the pool would remain exposed to macro-economic shocks/business disruptions

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 SNs at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 SNs is promised on maturity, i.e. the last payout date of November 17, 2025. On each payout date, after meeting the promised Series A1 SN interest payouts, all excess cash flow to the extent of the pool principal billed will be used to meet the expected Series A1 SN principal payouts. The excess cash flows, after making the promised and expected payouts, will be passed on to the originator on a monthly basis.

The first line of support for Series A1 SNs in the transaction is in the form of a subordination of 12.50% of the pool principal, consisting of OC and an equity tranche, and EIS of 13.03% of the pool principal. The originator will provide a CC of 3.00% of the initial pool principal. In the event of a shortfall in meeting the promised SN payouts during any month, the CC will be used to meet the same. Further, excess collections in a month, after meeting the promised SN payouts would first be used to top up CC to the extent of past utilisation.

There were no overdues in the pool as on the cut-off date with no delinquency since origination till the cut-off date. The pool's weighted average pre-securitisation amortisation stood at 23.9% while the weighted average seasoning was 32.5 weeks as on the cut-off date. It has high geographical concentration with the top 5 districts accounting for 52.7% and the top state (Andhra Pradesh) accounting for 87.4% 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.

Liquidity position: Strong

The liquidity for Series A1 SNs is strong after factoring in the CE available to meet the promised payout to the investor. The total CE would be 5.50 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 CE 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 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 analysis of the performance of Keertana’s portfolio till March 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant’s know your customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA’s Policy on Provisional Ratings available at www.icra.in.

About the originator

Keertana Finserv Private Limited (Keertana) is a non-deposit taking non-banking financial company (NBFC). It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the Reserve Bank of India (RBI). The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following RBI approval 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-microfinance institution). Keertana acquired its gold loan business from Spandana Mutual Benefit Trust (Rs. 191 crore) and the micro, small and medium enterprise (MSME) business from Spandana Rural and Urban Development Organization (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Keertana’s assets under management (AUM) stood at Rs. 1,564.4 crore and it had 286 branches as of March 2024. Gold loans contributed 44% to the AUM while joint liability group, loan against property and MSME accounted for the remaining 66% as of March 2024. Keertana reported a provisional net profit of Rs. 80 crore on a managed asset base of Rs. 1,719 crore in FY2024 compared with a net profit of Rs. 16 crore on a managed asset base of Rs. 700 crore in FY2023.

Key financial indicators

Keertana (standalone)	IGAAP	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2022	FY2023	FY2024
Total income	0.3	91.8	291.2
Profit after tax	0.2	16.0	80.0
Total managed assets	2.8	700.6	1,718.8
Gross stage 3	0.0%	0.0%	0.0%
CRAR	144.5%	26.0%	24.8%

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 (FY2025)				Chronology of Rating History for the Past 3 Years		
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				April 19, 2024	-	-	-
Amber 04 24	Series A1 SNs	46.08	46.08	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SNs	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
Amber 04 24	Series A1 SNs	April 2024	12.30%	November 2025	46.08	Provisional [ICRA]A(SO)

**Scheduled SN maturity date at transaction initiation; may change on account of prepayments; [^]p.a.p.m.
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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