

April 23, 2024

## Navi Finserv Limited: Ratings upgraded for PTCs issued under personal loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Dec-23 Payout (Rs. crore)	Rating Action
Nimbus 2022 PL Dora	Series A PTC	50.00	50.00	4.33	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
Nimbus 2023 PL Raahat	Series A1 PTC	99.71	99.71	20.23	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)
Nimbus 2023 PL Viraat	Series A PTC	53.38	53.38	7.61	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) tabulated above are backed by pools of personal loan (PL) receivables originated by Navi Finserv Limited (Navi). The ratings upgrade is on account of the build-up of the credit enhancement (CE) cover over the future PTC payouts due to the high amortisation in the transactions. Though the delinquencies in the harder buckets of 90+ days past due (dpd) have increased in recent months, the breakeven collection efficiency is low compared to the actual collection level observed in the pools.

### Pool performance summary

A summary of the performance of the pools till the March 2024 payout (February 2024 collection month) is tabulated below.

Parameter	Nimbus 2022 PL Dora	Nimbus 2023 PL Raahat	Nimbus 2023 PL Viraat
Months post securitisation	14	13	12
Pool amortisation	74.9%	62.9%	70.7%
PTC Series A amortisation	91.3%	79.7%	85.7%
Cumulative collection efficiency (%) <sup>1</sup>	96.5%	94.8%	93.7%
Cumulative prepayment rate	26.7%	21.7%	19.7%
Loss-cum-30+ dpd (% of initial pool principal) <sup>2</sup>	3.9%	5.6%	6.5%
Loss-cum-90+ dpd (% of initial pool principal) <sup>3</sup>	3.1%	4.3%	5.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
CC available (as % of balance pool)	39.9%	26.9%	34.1%
EIS over balance tenure (as % of balance pool)	12.2%	20.3%	15.2%
Principal subordination (% of balance pool) for PTC	68.9%	50.8%	56.2%
Breakeven collection efficiency (%) <sup>4</sup>	Nil	19.3%	8.6%

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

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

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

<sup>4</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Cash collateral available – Trapped EIS) / Balance pool cash flows

## Key rating drivers

### Credit strengths

- Build-up in CE cover for future PTC payouts due to high amortisation of the PTCs

### Credit challenges

- Rise in delinquencies seen in harder buckets in recent months
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; performance of the pools could remain exposed to macro-economic shocks/business disruptions

## Description of key rating drivers highlighted above

The cumulative collection efficiency of the underlying pools has been in the range of 93-97% as of the February 2024 collection month. ICRA takes note of the high loss-cum-90+ dpd reported in recent months for the pools, though the breakeven collection efficiency is low compared to the actual collection level observed in the pools. Any shortfall in collections in the past has been absorbed by the subordination and/or excess interest spread available in the structure. Hence, there has been no cash collateral (CC) utilisation till date in the transactions. Despite higher delinquencies, ICRA draws comfort from the considerable build-up in the CE coverage for the balance tenure of the PTC payouts due to the high amortisation of the PTCs/pools. Nonetheless, the performance of the pools would remain exposed to macro-economic shocks/business disruptions due to the inherent credit risk associated with the unsecured nature of the asset class. ICRA will continue to closely monitor the performance of the transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has rated six securitisation transactions backed by pools of PL receivables originated by Navi. The transactions (that have completed at least three payouts) have reported a cumulative collection efficiency of more than 90% with nil CC utilisation as of the March 2024 payout month.

## 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 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 loss and prepayments during the balance tenure of the pools are given in the table below.

Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
Nimbus 2023 PL Raahat	5.0-6.0%	4.8-18.0% p.a.
Nimbus 2023 PL Viraat	4.5-5.5%	4.8-18.0% p.a.

## Liquidity position: Superior

The liquidity is superior after factoring in the CE available to meet the promised payout to the investor. The total CE for the transactions would be in the range of 6.0-9.0 times the estimated losses in the pools.

## Rating sensitivities

### For Nimbus 2022 PL Dora

**Positive factors** – Not applicable

**Negative factors** – The rating is unlikely to change as the CC covers the entire PTC cash flows.

## For Nimbus 2023 PL Raahat and Nimbus 2023 PL Viraat

**Positive factors** – The rating could be upgraded if the available CC fully covers the balance PTC payouts.

**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 performance of the pools till the March 2024 payout month (February 2024 collection month), the present delinquency profile of the pools, the CE available in the transactions, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the company

Navi Finserv Limited (NFL / formerly known as Navi Finserv Private Limited) was incorporated on February 14, 2012, as a private limited company. In April 2022, it was converted into a public limited company. Navi is a wholly owned subsidiary of the Navi Group (main holding company: Navi Technologies Limited) and has conducted operations since 2009. It is primarily involved in the business of sourcing, underwriting and lending to individuals and entities. It provides credit-related services as a non-banking financial company (NBFC), including intermediation services for financial services agents and money transfer agents, credit linkage services, acting as a banking correspondent and generally conducting all activities permissible for an NBFC.

## Key financial indicators

Consolidated	FY2022	FY2023	9M FY2024*
Total income	459.89	1,377.05	2,075.81
Profit after tax	(66.91)	171.98	73.63
Total managed assets	2,949.21	7,755.17	10,569.34
Gross stage 3	30.73%	1.70%	2.70%
Capital-to-risk weighted assets ratio	0.87%	28.37%	27.09%

Source: Company data, ICRA Research; Amount in Rs. crore; \*Provisional financials

**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 23, 2024	April 17, 2023	December 30, 2022	-
1	Nimbus 2022 PL Dora	Series A PTC	50.00	4.33	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

	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 23, 2024			
2	Nimbus 2023 PL Raahat	Series A1 PTC	99.71	20.23	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

	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 23, 2024			
3	Nimbus 2023 PL Viraat	Series A PTC	53.38	7.61	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2022 PL Dora	Series A PTC	Moderately Complex
Nimbus 2023 PL Raahat	Series A1 PTC	Moderately Complex
Nimbus 2023 PL Viraat	Series A 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 Type	Date of Issuance	Coupon Rate <sup>^</sup>	Maturity Date <sup>*</sup>	Amount Rated (Rs. crore)	Rating
<b>Nimbus 2022 PL Dora</b>	Series A PTC	December 2022	9.80%	July 2025	4.33	[ICRA]AAA(SO)
<b>Nimbus 2023 PL Raahat</b>	Series A1 PTC	February 2023	9.95%	August 2027	20.23	[ICRA]AA+(SO)
<b>Nimbus 2023 PL Viraat</b>	Series A PTC	February 2023	9.95%	June 2028	7.61	[ICRA]AA+(SO)

*<sup>\*</sup>Scheduled maturity at transaction initiation; may change on account of prepayments; <sup>^</sup>p.a.p.m.*

*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](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Diptajyoti Banik**

+91 22 6114 3412

[diptajyoti.banik@icraindia.com](mailto:diptajyoti.banik@icraindia.com)

**Ritu Rita**

+91 22 6114 3409

[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L Shivakumar**

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto: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](http://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](http://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.