

May 31, 2024

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

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Current Outstanding Amount after May 2024 Payout (Rs. crore)	Rating Action
Lotus 09 2022	Series A1 PTC	3.12	0.88	0.69	[ICRA]B+(SO); Downgraded from [ICRA]BB+(SO)
LILY 09 2022	Series A1 PTC	1.64	0.88	0.77	[ICRA]B+(SO); Downgraded from [ICRA]BB+(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 / Originator).

The ratings have been downgraded on account of weak pool performance as reflected in deteriorating collection efficiency and rising delinquency levels, especially in the payouts of April 2024 and May 2024. The monthly collection efficiencies for both the pools have seen high volatility in recent months and are currently trending below 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 monitorable. However, this is partly offset by the fact that both pools - Lotus 09 2022 and LILY 09 2022 - have amortised by 78% and 59%, respectively, resulting in build-up of cash collateral to 29% and 36% of balance pool principal outstanding for the respective transactions. ICRA has also noted that 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 weak standalone credit profile.

### Pool performance summary

Parameter	Lotus 09 2022	LILY 09 2022
Payout month	May 2024	May 2024
Months post securitisation	20	17
Pool amortisation	77.5%	59.1%
Series A1 PTC amortisation	77.8%	53.4%
Cumulative collection efficiency <sup>1</sup>	83.1%	81.2%
Loss-cum-90+ dpd <sup>2</sup> (% of initial pool principal) <sup>3</sup>	19.2%	22.1%
Loss-cum-180+ dpd (% of initial pool principal) <sup>4</sup>	17.4%	16.5%
Breakeven collection efficiency <sup>5</sup> Series A1 PTC	63.4%	70.6%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
CC available (as % of balance pool principal)	28.9%	33.5%

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

<sup>2</sup> Days past due

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

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

<sup>5</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 – Credit collateral available) / Balance pool cash flows

Parameter	Lotus 09 2022	LILY 09 2022
Excess interest spread (EIS) (as % of balance pool principal)	5.9%	4.0%
Cumulative prepayment rate <sup>6</sup>	0.1%	0.5%

## Transaction structure

### For Lotus 09 2022 and Lily 09 2022

As per the transaction structure, the monthly cash flow schedule comprises of the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

## Key rating drivers and their description

### Credit strengths

**Build-up of credit enhancement available in the structure** – The amortisation of both pools has been 59% and 78% for Lily and Lotus pool respectively as on the May 2024 payout month. This has led to increase in the credit enhancement cover available for the balance payouts to the PTC investors.

### Credit challenges

**Decline in collection efficiency** – The pools have reported sharp deterioration in the collection efficiency in past few months due to low recovery from overdue accounts as well as continuing fresh movement into the overdue bucket. The monthly collection efficiency for both pools declined to ~50% in April 2024 payout month and further reduced to ~37% in May 2024 payout month from erstwhile levels above 70%. The current collection efficiency is lower than the breakeven collection efficiency required for both pools to meet the entire investor payouts as on maturity date. The pools are thus exhibiting higher delinquency levels with loss-cum-0+ dpd exceeding 30% and loss-cum-90+ dpd close to 20% as on May 2024 payout month. Bluejay's ability to strengthen its collection efforts in the near term thereby recovering higher amounts from the delinquent borrowers and thus ensuring sizeable improvement in the collection efficiency remains critical from a credit perspective.

**Risks associated with lending business** - The pools' performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The unsecured nature of the asset class also makes it challenging for the entity to recover the overdue amounts.

### Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 15.00% and 24.75% for Lotus 09 2022 and Lily 09 2022 respectively. The average prepayment rate for both the underlying pools is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment

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

rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

## Liquidity position

### Poor

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 significant 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 April 2024 (payout month), the present delinquency profile of the pools, the credit enhancement available in the pools, 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 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)

	FY2022	FY2023	3MFY2024
Total Income	30.20	10.60	3.01
Profit after Tax	-34.55	-12.40	-0.43
Total Managed Assets	79.14	48.47	47.05
GNPA	12.25%	37.80%*	NA
CRAR	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	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022
				May 31, 2024	Mar 08, 2024	Sep 26, 2023	Jan 20, 2023	Oct 12, 2022	-
<b>Lotus 09 2022</b>	Series A1 PTC	3.12	0.69	[ICRA]B+(SO)	[ICRA]BB+(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-

Trust Name	Instrument Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
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				May 31, 2024	Mar 08, 2024	Sep 26, 2023	May 02, 2023	Dec 30, 2022	-
<b>LILY 09 2022</b>	Series A1 PTC	1.64	0.77	[ICRA]B+(SO)	[ICRA]BB+(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
<b>Lotus 09 2022</b>	Series A1 PTC	Moderately Complex
<b>LILY 09 2022</b>	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
<b>Lotus 09 2022</b>	Series A1 PTC	October 2022	13.30%	March 2025	0.69	[ICRA]B+(SO)
<b>LILY 09 2022</b>	Series A1 PTC	December 2022	13.50%	May 2025	0.77	[ICRA]B+(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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### Branches



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