

June 07, 2024^(Revised)

Namra Finance Limited: Rating upgraded for PTCs issued under microfinance 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
Eagle 01 2023	PTC Series A	21.15	NA	4.27	[ICRA]AA(SO); Upgraded from [ICRA]A+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by microfinance loan receivables originated by Namra Finance Limited (Namra/Originator).

The rating upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of high amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the April 2024 payout month.

Pool performance summary

Particulars	Eagle 01 2023
Payout month	April 2024
Months post securitisation	12
Pool amortisation	56.04%
PTC Series A amortisation	79.81%
Cumulative collection efficiency ¹	98.31%
Loss-cum-30+ dpd ² (% of initial pool)	3.08%
Loss-cum-90+ dpd ³ (% of initial pool)	1.85%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	5.39%
Breakeven collection efficiency ⁴ for PTC Series A1	20.61%
CC (% of balance pool)	18.20%
Principal subordination (% of balance pool)	59.59%
Excess interest spread (EIS ⁵ ; % of balance pool)	10.82%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

⁴ (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

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises 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. The residual cash flows from the pool, after meeting the promised and expected payouts, will be used for the prepayment of the PTC Series A principal. Any prepayment in the pool would be used for the prepayment of the PTC Series A principal.

Key rating drivers and their description

Credit strengths

Build-up in credit enhancement cover – The rating factors in the build-up in the credit enhancement following the healthy collections and amortisation of the pool. The cash collateral (CC) has built up to 18.20% of the balance pool principal from 8.00% of the pool principal at the time of securitisation. As per the transaction structure, only the interest is promised to the PTC investors on a monthly basis. Thus, the healthy collections have ensured that no CC has been utilised for any of the payouts. While the EIS in the transaction has declined, the subordination has built up substantially to ~60%.

Healthy collections and low delinquency levels observed in the pool – The pool has exhibited a healthy cumulative collection efficiency of ~98% and the monthly collection has been above 94%. The healthy collections have resulted in low delinquencies with loss-cum-30+ days past due (dpd) of 3.1% and loss-cum-90+ dpd of 1.9% as of the April 2024 payout month.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Gujarat, Madhya Pradesh and Uttar Pradesh, contributing ~73% to the balance pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are slightly better diversified across multiple districts with the top 10 districts accounting for ~38% of the balance pool principal amount, which alleviates the concentration risk to some extent.

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks and business disruptions that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 3.25% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment 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: Superior

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool.

Rating sensitivities

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

Negative factors – The sustained weak collection performance of the underlying pool, 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 performance of the pool till the April 2024 payout month (March 2024 collection month), the present delinquency profile of the pool, the credit enhancement 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

Namra Finance Limited (Namra) is a wholly-owned subsidiary of Arman Financial Services Limited. Microfinance is regulated by the Reserve Bank of India (RBI), which only allows non-banking financial companies-microfinance institutions (NBFC-MFIs) to conduct microfinance operations. Hence, Namra was established as a wholly-owned structure for the same.

Namra's operations are spread across central and western India in Gujarat, Madhya Pradesh, Uttar Pradesh, Uttarakhand, Maharashtra, Rajasthan and Haryana. The loans have a ticket size of Rs. 46,000, which is transferred to the borrower's bank account. Namra lends mainly to women borrowers through joint liability groups (JLGs). As of December 31, 2023, the Group's microfinance operations had 315 branches spread across 122 districts in nine states. The company had 6.5 lakh+ active customers.

Key financial indicators

	FY2021 (A)	FY2022 (A)	FY2023 (A)	9M FY2024*
Total income	134.0	173.0	331.5	381.3
Profit after tax	4.6	18.5	67.2	97.5
Assets under management	643.1	1,021.9	1,627.6	2,045.6
Gross NPA	4.13%	3.68%	2.76%	2.79%
CRAR	20.32%	18.78%	25.62%	26.45%

*Provisional, Amount in Rs. crore

Source: Company's financial statements, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Jun 07, 2024	Jul 19, 2023	Apr 17, 2023		
1	Eagle 01 2023	PTC Series A	21.15	4.27	[ICRA]AA(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Eagle 01 2023	PTC Series A	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 Name	Date of Issuance	Coupon Rate	Final Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Eagle 01 2023	PTC Series A	April 2023	10.25%	January 2025	4.27	[ICRA]AA(SO)

* Scheduled maturity at transaction initiation; may change on account of prepayment

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

Corrigendum:

Document dated June 07, 2024, has been corrected with revisions as detailed below:

- Sections where revision has been made:
 - Key financial indicators table
- Revision made:
 - PAT for FY2021 changed to Rs. 4.6 crore from Rs. 4.9 crore.
 - Asset under management changed to Rs. 643.1 crore from Rs. 642.4 crore.
 - Gross NPA changed to 4.13% from 4.63%.
 - Net NPA has been replaced by CRAR

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