

June 19, 2024

Navi Finserv Limited: Rating reaffirmed for PTCs issued under personal loan securitisation transaction by Nimbus 2023 PL Kobe

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 2023 PL Kobe	Series A PTC	82.31	NA	32.48	[ICRA]AA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by personal loan receivables originated by Navi Finserv Limited (Navi). The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation of the pool. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the May 2024 payout month.

Pool performance summary

Parameter	Nimbus 2023 PL Kobe
Payout month	May 2024
Months post securitisation	13
Pool amortisation (as % of initial pool principal)	53.3%
PTC amortisation (as % of initial pool principal)	60.5%
Cumulative collection efficiency ¹	95.4%
Loss-cum-30+ dpd ² (% of initial pool)	5.6%
Loss-cum-90+ dpd ³ (% of initial pool)	4.1%
Cumulative cash collateral (CC) utilisation	0.0%
Breakeven collection efficiency ⁴ for PTC Series A	48.8%
Excess interest spread (EIS; % of balance pool)	17.0%
Subordination (% of balance pool)	24.8%
CC (% of balance pool)	21.4%

Key rating drivers and their description

Credit strengths

Build-up in credit enhancement – The rating factors in the build-up in the credit enhancement on account of the high amortisation of the underlying pool, with the cash collateral increasing to ~21% of the balance pool principal from 10.0% at the time of securitisation. Internal credit support is also available through the scheduled excess interest spread (EIS) of ~17% and subordination of ~25% for the balance PTC payouts.

Credit challenges

Moderate decline in collection efficiency – The pool's monthly collection efficiency declined to ~90% in the May 2024 payout month from the previous levels of more than 98%. Consequently, the delinquency levels increased with the loss-cum-0+ and

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 contracts delinquent for more than 30 days, as a % of Initial pool principal

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

⁴ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

90+ days past due (dpd) crossing 7% and 4%, respectively, as of the May 2024 payout month. Nonetheless, the current collection efficiency is above the breakeven collection efficiency required for the pool to meet the entire investor payouts as of the maturity date.

Risks associated with lending business – The pool’s 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.

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 5.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% 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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Nimbus 20223 PL Kobe
Originator	Navi Finserv Limited
Servicer	Navi Finserv Limited
Trustee	Catalyst Trusteeship Limited
CC Bank	HDFC Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement for the transaction would be ~5.0 times the estimated losses in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded based on sustained strong collection performance of the underlying pool contracts (monthly collection efficiency >95%), leading to lower than expected delinquency levels, and on an increase in the cover available for future PTC payouts from the credit enhancements.

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 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 May 2024 payout month (April 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, 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

Navi Finserv Limited (Navi; 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	460	1,377	2,076
Profit after tax	(67)	172	74
Total managed assets	2,949	7,755	10,569
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
					June 19, 2024			
1	Nimbus 2023 PL Kobe	Series A PTC	82.31	32.48	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2023 PL Kobe	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Rating
Nimbus 2023 PL Kobe	Series A PTC	March 2023	9.95%	August 2027	32.48	[ICRA]AA(SO)

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

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Diptajyoti Banik

+91 22 6114 3412

diptajyoti.banik@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar

+91 22 6169 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

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

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

ICRA Limited

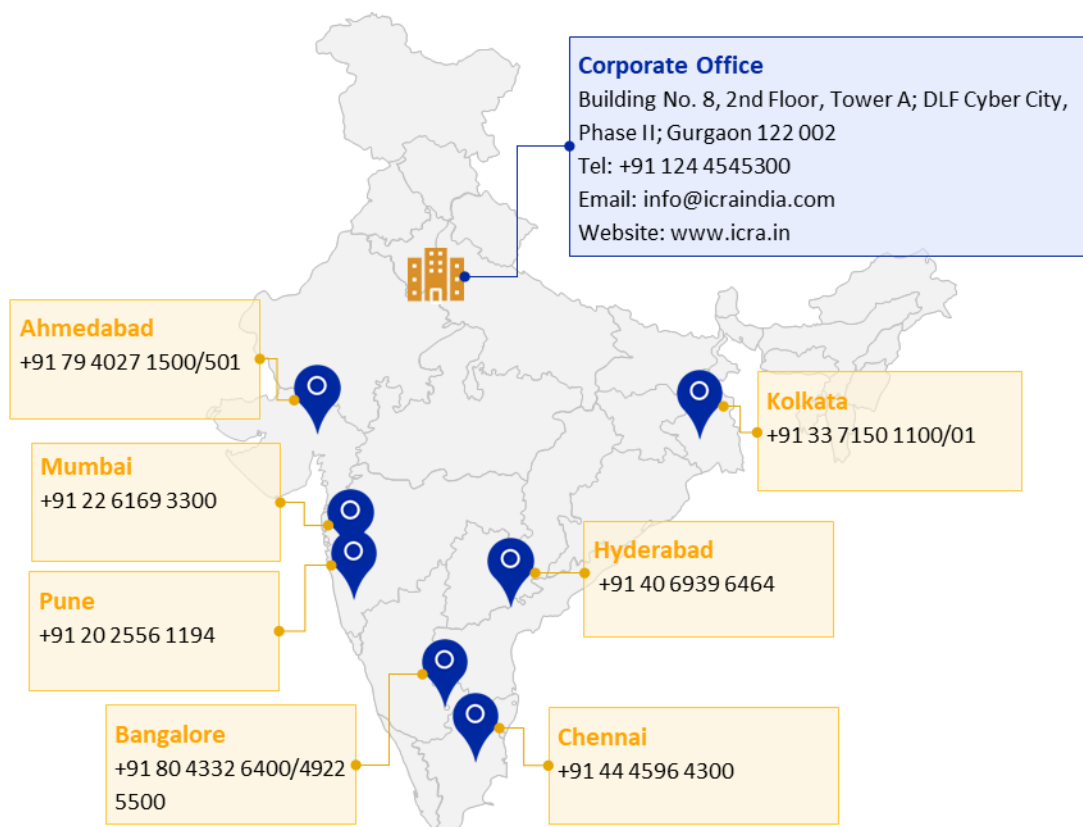


Registered Office

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 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.