

July 22, 2024

Samunnati Financial Intermediation and Services Private Limited: Rating confirmed as final for PTCs backed by a pool of agri & allied loan receivables issued by LoanX Agri Trust

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
LoanX Agri Trust	Series A1 PTCs	9.27	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the Series A1 pass-through certificates (PTCs) issued by LoanX Agri Trust under a securitisation transaction originated by Samunnati Financial Intermediation and Services Private Limited (Samunnati Finance/ Originator). The PTCs are backed by a pool of agri and allied loan receivables with an aggregate principal outstanding of Rs. 11.04 crore (pool receivables of Rs. 13.19 crore). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

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 Series A1 PTCs principal. Any prepayment in the pool would be used for the prepayment of the Series A1 PTCs principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 0.55 crore, provided by the Originator, (ii) principal subordination of 16.00% of the initial pool principal for Series A1 PTCs in the form of over-collateralisation (6.90%) and an equity tranche (9.10%), and (iii) the excess interest spread (EIS) of 14.93% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Presence of credit enhancement – The credit enhancement available for the PTCs is in the form of the CC, subordination and EIS, which would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by 23.05% as on the cut-off date with no delinquencies in any of the contracts as on the cut-off date.

Credit challenges

Moderate obligor concentration – Though the pool has 1,329 contracts, it still has moderate obligor concentration with the top 10 borrowers forming ~29% of the pool principal. The pool's performance would thus be highly exposed to the repayment patterns of the top borrowers and the company's ability to limit the slippages of such borrowers.

History of delinquencies of the underlying borrowers – Though all the contracts in the pool are current as on the cut-off date, ~98% of the contracts in the pool have reported days past due (dpd) of up to 30 days in the past. The presence of such contracts could result in relatively weaker collections from the pool, though none of these contracts have crossed 60+ dpd.

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Karnataka, Bihar and Tamil Nadu, contributing ~73% to the initial pool principal amount. Its performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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 7.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.80% 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	LoanX Agri Trust
Originator	Samunnati Financial Intermediation and Services Private Limited
Servicer	Samunnati Financial Intermediation and Services Private Limited
Trustee	Catalyst Trusteeship Limited
CC bank	IDFC First Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity position for Series A1 PTCs is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be ~4.75 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 credit enhancement would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool (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 (Samunnati Finance) could also exert pressure on the rating.

Analytical approach

The rating actions are based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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

About the originator

Incorporated in June 2014, Samunnati Financial Intermediation and Services Private Limited (Samunnati Finance) is a registered non-banking financial company (NBFC) providing financial services in the agricultural value chain. As of March 2024, it had operations spread across in 28 states with a managed portfolio of Rs. 1,334 crore. During FY2017-9M FY2024, the company raised Rs. 736-crore capital in the form of compulsorily convertible preference shares (CCPS) from external investors including Elevor Equity (Elevor), Accel India (Mauritius) Limited (Accel), responsAbility Agriculture (responsAbility) and Nuveen Capital. Samunnati Finance's wholly-owned subsidiary – Samunnati Agro Solutions Private Limited (Samunnati Agro) – is engaged in the trading of agricultural produce. While Samunnati Finance provides financial services for the agricultural value chain, the subsidiary provides trade solutions, thus complementing the range of services offered.

The company has an approved composite scheme of arrangement, whereby its NBFC business is to be transferred to Samunnati Finance Private Limited, which is awaiting approval for an NBFC licence from the regulator. Following the transfer, Samunnati Agro will be amalgamated with Samunnati Finance. This restructuring is expected to be completed once Samunnati Finance Private Limited receives its NBFC licence.

Key financial indicators

	FY2022	FY2023	FY2024
	Audited	Audited	Audited
Total income	181.6	211.0	231.2
Profit after tax	(66.6)	(98.4)	21.0
AUM	1,144.0	1,117.2	1,333.5
Gross stage 3	2.9%	5.9%	2.4%
CRAR	20.4%	20.2%	23.3%

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
			Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					July 22, 2024	July 16, 2024*			
1	LoanX Agri Trust	Series A1 PTCs	9.27	9.27	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

*Initial rating assigned

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTCs	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

ISIN	Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
INE0Z9A15010	LoanX Agri Trust	Series A1 PTCs	July 12, 2024	11.50%	October 17, 2026	9.27	[ICRA]A(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

Sumit Pramanik

+91 22 6114 3400

sumit.pramanik@icraindia.com

Priya Gounder

+91 22 6114 3454

priya.gounder@icraindia.com

Sheetal Nayak

+91 22 6114 3420

sheetal.nayak@icraindia.com

RELATIONSHIP CONTACT

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:

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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



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