

July 22, 2024

## Save Microfinance Pvt. Ltd.: Ratings upgraded on PTCs issued under a micro finance loan securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Previous surveillance amount (Rs. Crore)	Current Outstanding Amount after June 2024 Payout (Rs. crore)	Rating Action
Emblica 03 2023	Series A1(a) PTC	8.83	NA	0.79	[ICRA]A+(SO); upgraded from [ICRA]A-(SO)
	Series A1(b) PTC	0.83	NA	0.83	[ICRA]A(SO); upgraded from [ICRA]BBB+(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by micro finance loan receivables originated by Save Microfinance Pvt. Ltd (Save/Originator). The rating for both the series of PTCs have been upgraded on account of the significant amortisation in the pool, which has led to build-up in the credit enhancement available to meet the promised payout to the investor. The rating also draws a comfort from the fact that the breakeven collection efficiency is lower as compared to the actual collection level observed in the pool till June 2024 payout month.

### Pool performance summary

Parameter	Emblica 03 2023
Payout Month	June 2024
Months post securitisation	14
Pool amortisation	70.1%
Series A1(a) PTC Amortisation	91.0%
Series A1(b) PTC Amortisation	0.0%
Cumulative collection efficiency <sup>1</sup>	98.2%
Loss-cum-0+ (% of initial pool principal) <sup>2</sup>	2.2%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	1.6%
Break-even collection efficiency (%) – Series A1(a) PTC <sup>4</sup>	7.3%
Break-even collection efficiency (%) – Series A1(a) PTC + Series A1(b) PTC	32.3%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	17.2%
Excess interest spread (EIS) (as % of balance pool principal) for Series A1(a) PTC	6.6%
Excess interest spread (EIS) (as % of balance pool principal) for Series A1(b) PTC	5.6%
Average Monthly prepayment rate	1.8%

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

<sup>2</sup> POS on contracts aged 0+ 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> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

## Transaction Structure

Till August 17, 2024, the monthly collections from the pool will be used to make the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis. After making the promised interest payout, the collections will be used to make the expected principal payouts to PTC Series A1(a) till it has been fully redeemed and then to redeem Series A1(b) PTCs on expected basis. From August 18, 2024, payout, the monthly collections from the pool will be used to make the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis and subsequently the remaining cashflows will be used to make expected principal payment Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis. The principal is promised on the final maturity dates only i.e., November 16, 2024 for Series A1(a) PTCs and November 17, 2024 for Series A1(b) PTCs. Any surplus 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 the Series A1 PTC principal as per the above-mentioned schedule.

## Key rating drivers and their description

### Credit strengths

- **Substantial credit enhancement available in the structure** – The rating factors in the build-up in the credit enhancement with cash collateral increasing to 17.2% of the balance pool principal compared to 5.0% at time of securitisation. Internal credit support is also available through scheduled EIS of 6.6% of the balance pool principal as on June 2024 payout month.
- **Healthy pool performance** – Performance of the pool has been strong with cumulative collection efficiency of ~98% till June 2024 payout month which has resulted in low delinquencies in the pool with the 90+ days past due (dpd) at 1.6%. The break-even collection efficiency is much lower as compared to the monthly collection efficiency observed in the pool. Further, there have been no instances of cash collateral utilisation for the pool till date owing to strong collection performance and presence of EIS in the transaction.

### Credit challenges

- **High geographical concentration** – The pool has high geographical concentration with the top states, viz. Bihar, contributing 68% 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. Further, the pool remains concentrated on district level as well with the top 10 districts comprising of ~41% of the balance pool principal.
- **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 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 1.25% with certain variability around it. The average prepayment rate for both the underlying pools is modelled in the range of 2.0% to 9.0% 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

Transaction Name	Emblica 03 2023
Originator	Save Microfinance Pvt. Ltd.
Servicer	Save Microfinance Pvt. Ltd.
Trustee	Beacon Trusteeship Limited
CC Holding Bank	ICICI Bank
Collection and payout account Bank	ICICI Bank

## Liquidity position: Superior

The liquidity for Series A1(a) PTC and Series A1(b) PTC 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 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 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 June 2024 (payout month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

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

SAVE Microfinance Pvt. Ltd. (Save) is an NBFC-MFI, extending the JLG Loans, based out of Bihar. Save received its NBFC license in October 2017 and commenced lending operations November 2018 onwards. The company provides micro credit to women borrowers for the purpose of income generating activities such as small business, handicrafts, trade and services, agricultural etc. The loans are provided to women for agriculture and non-agriculture activities with a ticket size of Rs. 15,000 – 50,000. The tenure of the loans is 12- 24 months with a rate of interest of 19.7% to 21.69%. Collections are made monthly and 1% processing fees is charged. The Company also gives CGS loans at a rate of interest of 19.69%.

The operations are spread geographically with a presence in 112 districts across 7 states as on March 31, 2024. In FY2024, the company reported a profit after tax (PAT) of Rs. 7 crore on AUM of Rs. 1180 crore.

## EXHIBIT 1. Key Financial Indicators

Save	FY2022	FY2023	FY2024
Total income (Rs. Crore)	62.2	169.1	207.8
Profit after tax (Rs. Crore)	3.4	17.2	7.0
Assets under management (Rs. Crore)	513.0	1252	1179.6
Gross NPA	1.3%	0.9%	2.0%
Net NPA	0.3%	0.1%	0.6%
CRAR	N.A.	N.A.	21.3%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Jul 22, 2024	Jul 11, 2023	Mar 31, 2023	-
Embluca 03 2023	Series A1(a) PTC	8.83	0.79	[ICRA]A+(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-
	Series A1(b) PTC	0.83	0.83	[ICRA]A(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

## Complexity level of the rated instrument

Instrument	Instrument	Complexity Indicator
Embluca 03 2023	Series A1(a) PTC	Moderately complex
Embluca 03 2023	Series A1(b) 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 Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
<b>Emblica 03 2023</b>	Series A1(a) PTC	March 31, 2023	12.75%	November 16, 2024	0.79	[ICRA]A+(SO)
	Series A1(b) PTC	March 31, 2023	14.50%	November 17, 2024	0.83	[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](mailto:abhishek.dafria@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

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

**Shruti Jain**

+91 22 6114 3472

[shruti.jain@icraindia.com](mailto:shruti.jain@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

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

**Tina Parekh**

+91 22 6114 3455

[tina.parekh@icraindia.com](mailto:tina.parekh@icraindia.com)

#### RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[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.