

August 06, 2024

## Groww Creditserv Technology Private Limited: Provisional [ICRA]AA-(SO) rating assigned to Series A1 PTC backed by a pool of personal loan receivables issued by Rumble 06 2024

### Summary of rating action

Trust Name	Instrument*	Current Amount Rated (Rs. crore)	Rating Action
Rumble 06 2024	Series A1 PTC	146.53	Provisional [ICRA]AA-(SO); Assigned

*\*Instrument details are provided in Annexure I*

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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### Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan (PL) receivables originated by Groww Creditserv Technology Private Limited (GCTPL/Originator) with an aggregate principal outstanding of Rs. 162.82 crore (pool receivables of Rs. 201.00 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### 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 (to the extent of 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 Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 11.40 crore, to be provided by the Originator, (ii) subordination of 10.00% of the initial pool principal in the form of an equity tranche of 5.00% and over-collateralisation of 5.00% of the pool principal for Series A1 PTC, and (iii) the EIS of 10.34% of the initial pool principal for Series A1 PTC.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 5,952 contracts, with the top 10 borrowers accounting for 0.6% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts with no overdues in the pool as on the cut-off date** – The pool had amortised by ~17% with no delinquencies as on the cut-off date, reflecting the relatively better credit profile of the borrowers.

**High share of salaried borrowers** – The salaried borrower category accounts for ~78% of the pool (in terms of the principal amount outstanding on the cut-off date). This alleviates the risks to some extent, given the steady cash flows of such borrowers vis-à-vis self-employed borrowers. The same is also demonstrated in the company's overall loan portfolio, wherein the 90+ days past due (dpd) in the salaried borrowers segment was lower than for self-employed borrowers.

### Credit challenges

**Relatively new entrant in unsecured lending segment** – GCTPL is a new entrant in the non-banking financial company (NBFC) and digital lending space. It provides personal and consumer durable loans to Groww Invest Tech Private Limited's<sup>1</sup> existing customers via a preapproved programme. As the first disbursement was in February 2023, the scale of operations remains small. Further, portfolio seasoning is limited.

**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. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class with recoveries from delinquent contracts tending to be lower.

### 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 5.25% 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.

### Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would ~4.25 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – The rating could be upgraded based on the sustained strong collection performance of the underlying pool of 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 enhancement.

**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 (GCTPL) could also exert pressure on the rating.

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<sup>1</sup> It offers equity broking services in the cash as well as derivatives segment and mutual fund distribution under the brand name – Groww

## Analytical approach

The rating action is based on the analysis of the performance of GCTPL's PL portfolio till March 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust Deed
2. Assignment Agreement
3. Power of Attorney
4. All other instruments, deeds and documents executed or entered into by the trustee and/or the seller from time to time for the securitisation of the receivables
5. Legal opinion

## Validity of the provisional rating

The trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

GCTPL was incorporated in January 2021. It received an NBFC licence from the Reserve Bank of India (RBI) in December 2022. The company provides personal and consumer durable loans on digital lending platforms. GCTPL is a wholly-owned subsidiary of BGV. It was initially held directly by the four co-founders – Mr. Lalit Keshre, Mr. Harsh Jain, Mr. Ishan Bansal and Mr. Neeraj Singh. Subsequently, BGV acquired a stake in GCTPL in multiple tranches during April 2023 to March 2024. The total capital infusion in GCTPL till March 31, 2024 aggregated Rs. 378 crore and its net worth was Rs. 351 crore.

While personal loans accounted for 98% of the loan book, consumer durable loans accounted for the balance. The total on-balance sheet loan book stood at Rs. 731.1 crore as on March 31, 2024 and Rs. 965.44 crore as on June 30, 2024.

## Key financial indicators

GCTPL (standalone)	FY2022	FY2023	FY2024
Total income	0.1	-3.4	-30.7
Profit after tax	0.1	-2.8	-24.1
Total managed assets	0.0	0.0	731.1
Gross stage 3	0.0%	0.0%	0.3%
CRAR	NA	136.9%	38.6%

Source: Company, ICRA Research; Amount in Rs. crore

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	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
					August 06, 2024			
1	Rumble 06 2024	Series A1 PTC	146.53	146.53	Provisional [ICRA]AA-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>Rumble 06 2024</b>	Series A1 PTC	July 31, 2024	10.45%	December 14, 2028	146.53	Provisional [ICRA]AA-(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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## 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)

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### Branches



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