

September 25, 2024

## IIFL Samasta Finance Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Lupine Trust 2024

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Lupine Trust 2024	PTC Series A1	69.72	[ICRA]AA-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In September 2024, ICRA had assigned Provisional [ICRA]AA-(SO) rating to Pass Through Certificate (PTC) Series A1, issued by Lupine Trust 2024. The PTCs are backed by a pool of a microfinance loan receivables originated by IIFL Samasta Finance Limited (Samasta/Originator) with an aggregate principal outstanding of Rs 77.46 crore (pool receivables of Rs 92.97 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.

### Pool performance summary

Parameter	Lupine Trust 2024
Months post securitisation	1
Pool amortisation	4.69%
PTC Series A1 amortisation	5.22%
Cumulative prepayment rate	0.31%
Cumulative collection efficiency	98.10%
Loss cum 0+ dpd	2.37%
Loss cum 30+ dpd	0.00%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

### 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 flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal.

The credit enhancement available in the structure is in the form of (i) a CC of 5.00% of the initial pool principal, amounting to Rs. 3.87 crore, to be provided by the Originator, (ii) principal subordination of 10.00% of the initial pool principal for PTC Series A1 and (iii) the excess interest spread (EIS) of 13.67% of the initial pool principal for PTC Series A1.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The initial pool is granular, consisting of 21,017 contracts, with no contract exceeding 0.1% of the initial 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.

**No overdue contracts in the pool-** The initial pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date.

**Seasoned contracts in the pool –** The pool has amortised by almost 21% as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement, thereby reflecting the borrowers’ relatively better credit profile.

### Credit challenges

**High geographical concentration -** The initial pool has high geographical concentration with the top 3 states, viz. Bihar, Karnataka and Uttar Pradesh, contributing ~56% to the initial 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 well-diversified across multiple districts with the top 10 districts constituting around 29% of the initial pool amount, which alleviates the concentration risk to some extent.

**Risks associated with lending business –** The pool 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 4.5% of the initial pool 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.

### Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	Lupine Trust 2024
Originator	IIFL Samasta Finance Limited
Servicer	IIFL Samasta Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	IDFC First Bank
Collection and payout account Bank	IDFC First Bank

## Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.25 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 CE 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 CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Samasta) could also exert pressure on the rating.

## Analytical approach

The rating action is 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	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the Originator

Bangalore, Karnataka-based IIFL Samasta Finance Limited is a non-deposit accepting NBFC. The company commenced its microfinance operations in 2008 and was managing a portfolio of Rs. 14,211 crore with presence in 22 states, catering to more than 31 lakh customers through a network of 1,648 branches spread across 417 districts as on March 31, 2024. IIFL Finance acquired majority stake in the company in FY2017. In December 2020, 25% of stake in Samasta was transferred to IIFL Home Finance Limited, a wholly owned subsidiary of IIFL Finance Limited, post which the IIFL Finance Limited held 74.09% in the entity. On September 01, 2021, of the entity name changed from 'Samasta Microfinance Limited' to 'IIFL Samasta Finance Limited' in order to bring group synergies

### Key Financial Indicators (IND-AS, Audited)

Particular	FY2022	FY2023	FY2024
Total income	1,011	1,741	2,770
Profit after tax	51	128	503
Total managed assets	6,484	10,552	14,211
Gross NPA	3.9%	2.1%	1.9%
CRAR	17.8%	17.1%	24.0%

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

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				September 25, 2024	September 09, 2024			
1	Lupine Trust 2024	PTC Series A1	69.72	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Lupine Trust 2024	PTC Series A1	September 03, 2024	9.95%	April 13, 2026	69.72	[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](mailto:abhishek.dafria@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Pratik Vora**

+91 22 6114 3438

[pratik.vora@icraindia.com](mailto:pratik.vora@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

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

**Abhishek Jena**

022-61143432

[abhishek.jena@icraindia.com](mailto:abhishek.jena@icraindia.com)

## RELATIONSHIP CONTACT

**L.Shivakumar**

+91 22 6114 3304

[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.