September 27, 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 rated amount (Rs. crore)	Previous rated amount (Rs. Crore)	Current rated amount (Rs. crore)	Rating Action
Sita 06 2023	Series A1(a) PTC	16.32	16.32	1.88	[ICRA]A+(SO); upgraded from [ICRA]A-(SO)
	Series A1(b) PTC	1.53	1.53	1.53	[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 ratings 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 ratings also draw comfort from the fact that the breakeven collection efficiency is lower as compared to the actual collection level observed in the pool till August 2024 payout month.

Pool performance summary

Parameter	Sita 06 2023
Payout Month	August 2024
Months post securitisation	13
Pool amortisation	69.3%
Series A1(a) PTC Amortisation	88.5%
Series A1(b) PTC Amortisation	0.00%
Cumulative collection efficiency[1]	97.9%
Loss-cum-0+ (% of initial pool principal)[2]	2.5%
Loss-cum-90+ (% of initial pool principal)[3]	1.6%
Break-even collection efficiency (%) – Series A1(a) PTC[4]	13.2%
Break-even collection efficiency (%) – Series A1(a) PTC + Series A1(b) PTC	36.8%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	16.3%
Excess interest spread (EIS) (as % of balance pool principal) for Series A1(a) PTC	6.8%
Excess interest spread (EIS) (as % of balance pool principal) for Series A1(b) PTC	5.8%

Transaction Structure

Till October 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 October 18, 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 and subsequently the remaining cashflows will be used

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[1] *Cumulative collections till date / Cumulative billings till date + Opening overdues*

[2] *POS on contracts aged 0+ dpd + Overdues / Initial POS on the pool*

[3] *POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool*

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

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., March 16, 2025 for Series A1(a) PTCs and March 17, 2025 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 ~16% of the balance pool principal as compared to 5% at time of securitisation. Internal credit support is also available through scheduled EIS and subordination.

- **Healthy pool performance –** Performance of the pool has been strong with cumulative collection efficiency of ~98% till August 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 76% 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 ~32% 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 the underlying pool 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	Sita 06 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 (Save) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till August 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	Rating Methodology for Securitisation Transactions
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 – 65,000. The tenure of the loans is 12- 27 months with a rate of interest of 19.7% to 25.0%. 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 106 districts across 7 states as on June 30, 2024. In Q1FY2025, the company reported a profit after tax (PAT) of Rs. 1.5 Crore on AUM of Rs. 1130 crore.

EXHIBIT 1. Key Financial Indicators

Save	FY2023	FY2024	Q1FY2025
Total income (Rs. Crore)	171.5	208.7	46.0
Profit after tax (Rs. Crore)	17.1	12.2	1.6
Assets under management (Rs. Crore)	1,252.8	1,179.5	1,129.5
Gross NPA	1.0%	2.1%	3.1%
CRAR	15.8%	21.4%	26.1%

Source: *Company, ICRA Research;*

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	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Sep 27, 2024	Sep 18,2023	Jul 06, 2023	-	-
Sita 06 2023	Series A1(a) PTC	16.32	1.88	[ICRA]A+(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
	Series A1(b) PTC	1.53	1.53	[ICRA]A(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

Complexity level of the rated instrument

Instrument	Instrument	Complexity Indicator
Sita 06 2023	Series A1(a) PTC	Moderately complex
Sita 06 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
Sita 06 2023	Series A1(a) PTC	June 28, 2023	12.75%	March 16, 2025	1.88	[ICRA]A+(SO)
	Series A1(b) PTC	June 28, 2023	14.50%	March 17, 2025	1.53	[ICRA]A(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.

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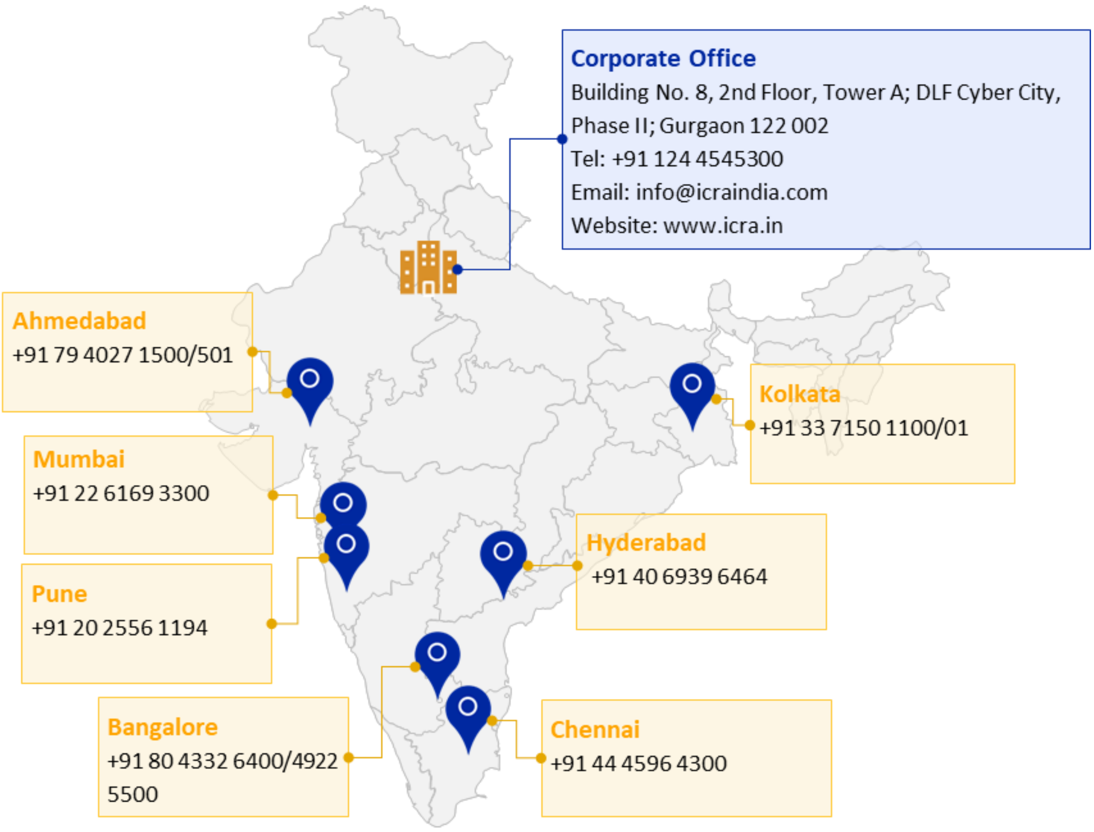

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