

January 22, 2025

Lendingkart Finance Limited: Rating reaffirmed for PTCs issued under an unsecured business loans securitisation transaction

Summary of rating action

Trust Name [^]	Instrument [*]	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Zenith MSME Trust October 2022	PTC Series A1	110.58	46.88	13.95	[ICRA]BBB+(SO); Reaffirmed

[^] The transaction has been referred to as Zenith in this rationale

^{*}Instrument details are provided in Annexure I

Rationale

The pass-through certificates notes (PTCs) are backed by a pool of unsecured small business loan receivables originated by Lendingkart Finance Limited (LFL/Originator; rated [ICRA]BBB+; rating watch with positive implications). Lendingkart is also the servicer for this transaction. The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation. While there has been a dip in collections in last few months which has led to an increase in delinquencies in the pool, the roll forward into 90+ bucket has been slower. The rating also draws comfort from the fact that the breakeven collection efficiency is nil with credit collateral (CC) fully covering the future PTC payouts. The CC is in the form of an unconditional and irrevocable corporate guarantee (CG) from LFL.

Pool performance summary

Particulars	Zenith
Payout month	Dec-24
Months post securitisation	25
Pool amortisation	94.33%
PTC Series A1 amortisation	87.38%
Cumulative collection efficiency ¹	90.10%
Loss-cum-30+ days past due (dpd) ² (% of initial pool)	8.45%
Loss-cum-90+ dpd ³ (% of initial pool)	7.91%
Cumulative CC utilisation	0.00%
Cumulative prepayment rate	17.19%
Breakeven collection efficiency ⁴ for PTC Series A1	0.00%
CC available (as % of balance pool principal)	>100%
Principal subordination (% of balance pool) PTC Series A1	0.00%
Excess interest spread (EIS ⁵ ; % of balance pool) PTC Series A1	NA ⁶

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of initial pool principal

⁴ (Balance cash flows payable to PTC Series A1 investor – CC available)/Balance pool cash flows

⁵ (Pool Cash flows – Cash flows to PTC Series A1 investors – Originator's residual share)/Pool Principal outstanding

⁶ EIS will only act as credit enhancement to cover any shortfalls in interest collection as per the transaction structure

Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises the expected interest payout and expected principal payout to be paid on a monthly basis (100% of the pool principal collected) and both principal and interest is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the expected payouts, will flow back to the Originator on a monthly basis. The EIS will only act as CE to cover any shortfall in interest collections. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

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 the CC fully covering the future PTC payouts to the investors, on account of significant pool and PTC amortisation.

Adequate servicing capability of the originator – The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of over a decade of regular collections across multiple geographies.

Credit Challenges

Not Applicable

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.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	Zenith
Originator	Lendingkart Finance Limited
Servicer	Lendingkart Finance Limited
Trustee	Catalyst Trusteeship Limited
CG provider	Lendingkart Finance Limited
Collection and payout account bank	ICICI Bank

Liquidity position: Adequate

The liquidity is adequate since the available CC fully covers the balance PTC payouts. The CC is the form of a corporate guarantee from LFL.

Rating sensitivities

Positive factors – The rating for the PTCs would be downgraded in case of deterioration in credit profile of LFL

Negative factors – The rating for the PTCs would be upgraded basis an improvement in credit profile of LFL

Analytical approach

The rating action is based on the performance of the pool till November 2024 (collection month), the present delinquency levels and the credit enhancement 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

Lendingkart Finance Limited (formerly Aadri Infin Limited) is a Lendingkart Group company, which is registered as a non-banking financial company (NBFC) and provides unsecured small and medium-sized enterprise (SME) loans. Lendingkart Technologies Private Limited (LTPL), the technology arm of the Ahmedabad-based Lendingkart Group, holds a 100% stake in LFL. Fullerton Financial Holdings Pte Limited had a 38.16% stake in LTPL as on March 31, 2023. The Group was established in 2014 by one of the co-founders, Mr. Harshvardhan Lunia, and raised funds from FFH, Saama Capital, Mayfield India, India Quotient, Bertelsmann India Investments, Sistema Asia Fund and Darrin Capital Management. Loans are given to micro and small enterprises for meeting their working capital needs. The underwriting is based on the scoring by a proprietary algorithm.

Key financial indicators (standalone)

	FY2023	FY2024	H1FY2025
	Audited	Audited	Unaudited
Total income	824	1,146	514
Profit after tax	116	60	(90)
Total Managed assets	6,007	8,631	7,778
Gross stage 3	2.6%	2.9%	4.2%
CRAR	34.0%	21.5%*	24.2%*

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

*The reduction in Tier 1 has been on account of the recent Frequently Asked Questions (FAQs) issued by Reserve Bank of India (RBI) in April 2024 on the Default Loss Guarantee in Digital Lending whereby the FLDG provided to the co-lending partners is to be reduced from Tier I capital.

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 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
				Jan 22, 2025	Jan 30, 2024	Jan 12, 2023	Nov 21, 2022	-
Zenith MSME Trust October 2022	PTC Series A1	110.58	13.95	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

Complexity level of the rated instrument

Transaction	Instrument	Complexity Indicator
Zenith MSME Trust October 2022	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

Trust Name	Instrument Name	Date of Issuance	Coupon Rate (p.a.p.m.)	Final Maturity Date	Amount Rated (Rs. crore)	Current Rating
Zenith MSME Trust October 2022	PTC Series A1	November 19, 2022	13.35%	May 15, 2025	13.95	[ICRA]BBB+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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