

February 27, 2025

Satin Finserv Limited: Ratings reaffirmed for PTCs issued under secured business loans securitisation transactions

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 |
|-----------------|----------------|----------------------------------|--|----------------------------------|----------------------------|
| Ensata 12 2023 | Series A1 PTC | 8.36 | 8.36 | 3.10 | [ICRA]A+(SO); reaffirmed |
| | Equity tranche | 0.48 | 0.48 | 0.48 | [ICRA]BBB+(SO); reaffirmed |
| Leonard 03 2024 | Series A1 PTC | 21.06 | 21.06 | 11.78 | [ICRA]A(SO); reaffirmed |

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of secured business loan receivables originated by Satin Finserv Limited (SFL/Originator; rated [ICRA]A- (Stable)). SFL is also the servicer for these transactions.

The ratings reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high pool amortisation. The ratings also draw comfort from the fact that 91% of both pools is backed by self-occupied residential properties. Although collections dipped in the last few months, leading to an increase in delinquencies in the pools while the rollback from overdue contracts has been lower, the ratings draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till the January 2025 payout month.

Pool performance summary

| Particulars | Ensata 12 2023 | Leonard 03 2024 |
|---|----------------|-----------------|
| Payout month | Jan-25 | Jan-25 |
| Months post securitisation | 11 | 10 |
| Pool amortisation | 49.10% | 39.63% |
| PTC Series A1 amortisation | 62.87% | 44.04% |
| Cumulative collection efficiency ¹ | 97.49% | 98.15% |
| Loss-cum-30+ days past due (dpd ² ; % of initial pool) | 7.84% | 7.49% |
| Loss-cum-90+ dpd ³ (% of initial pool) | 4.33% | 4.17% |
| Cumulative cash collateral (CC) utilisation | 0.00% | 0.00% |
| Cumulative prepayment rate | 6.97% | 4.62% |
| Breakeven collection efficiency ⁴ for PTC Series A1 | 48.08% | 69.96% |
| CC available (as % of balance pool principal) | 9.82% | 4.97% |
| Principal subordination (% of balance pool) PTC Series A1 | 36.17% | 16.59% |
| Excess interest spread (EIS ⁵ ; % of balance pool) PTC Series A1 | 15.96% | 14.57% |

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

Transaction structure

For Ensata 12 2023:

As per the transaction structure for Series A1 PTCs, 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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of predefined acceleration events, the residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTC. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

According to the transaction structure, the equity tranche is subordinate to Series A1 PTC. After the maturity of Series A1 PTC, the payout to the equity tranche (principal payouts to equity tranche investors) will be on expected basis, which will be due and payable only on the final maturity date.

For Leonard 03 2024:

As per the transaction structure for Series A1 PTCs, 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. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of predefined acceleration events, the residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTC. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The ratings factor in the build-up of the credit enhancement cover with the cash collateral (CC) increasing to 9.82% and 4.97% of the balance pool principal for Ensata 12 2023 and Leonard 03 2024, respectively, from 5.00% and 3.00%, respectively, at the time of securitisation. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

Moderate pool performance – The pools' performance has been moderate with a cumulative collection efficiency of ~97% till the January 2025 payout month. This has resulted in moderate delinquencies in the pools with the 90+ days past due (dpd) at 4.33% and 4.17% for Ensata 12 2023 and Leonard 03 2024, respectively.

Contracts backed by self-occupied residential properties – Approximately 91% of the pools is backed by self-occupied residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

Adequate servicing capability – SFL has adequate processes for the servicing of the loan accounts in the securitised pools. It has a long track record of regular collections across a wide geography.

Credit challenges

High geographical concentration – The pools have significant geographical concentration with the top 3 states accounting for ~62% and ~72% of the balance pool principal amount for Ensata 12 2023 and Leonard 03 2024, respectively. The pools' performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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.

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 pools, ICRA has estimated the shortfall in the pool principal collection during their tenure at 5.75% and 6.75% of the initial pool principal for Ensata 12 2023 and Leonard 03 2024, respectively. The average prepayment rate for the underlying pool is modelled in the range of 4.8% 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

| Transaction name | Ensata 12 2023 | Leonard 03 2024 |
|------------------------------------|------------------------------|------------------------------|
| Originator | Satin Finserv Limited | Satin Finserv Limited |
| Servicer | Satin Finserv Limited | Satin Finserv Limited |
| Trustee | Catalyst Trusteeship Limited | Catalyst Trusteeship Limited |
| CC holding bank | ICICI Bank | ICICI Bank |
| Collection and payout account bank | ICICI Bank | ICICI Bank |

Liquidity position:

For Ensata 12 2023:

For Series A1 PTC: 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 is ~5.00 times the estimated loss in the pool for Series A1 PTC.

For equity tranche: Strong

The liquidity for the equity tranche is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~4.00 times the estimated loss in the pool for the equity tranche.

For Leonard 03 2024: Adequate

The liquidity for PTC Series A1 is adequate after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~2.50 times the estimated loss in the pool for PTC Series A1.

Rating sensitivities

Positive factors – The ratings could be upgraded 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 investor payouts from the credit enhancement.

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till December 2024 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Rating Methodology for Securitisation Transactions |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | Not applicable |

About the originator

SFL is a non-banking financial company (NBFC) and a wholly-owned subsidiary of Satin Creditcare Network Limited (SCNL). It offers micro, small and medium enterprise (MSME) loans (retail and wholesale). It had operations in 11 states as on September 30, 2024 with assets under management (AUM) of Rs. 435 crore. On a standalone basis, it reported a net profit of Rs. 3.4 crore in H1 FY2025 against Rs. 5.1 crore in FY2024.

SCNL is an NBFC-microfinance institution (NBFC-MFI), primarily offering joint liability group (JLG) loans to women. It had 1,463 branches spread across 29 States/Union Territories on a consolidated basis as on September 30, 2024. Apart from SFL, SCNL has two wholly-owned subsidiaries – Satin Housing Finance Limited and Satin Technologies Limited.

Key financial indicators (standalone)

| SFL | FY2023 | FY2024 | H1 FY2025 [^] |
|----------------------|--------|--------|------------------------|
| Total income | 107 | 121 | 59 |
| Profit after tax | 6 | 5 | 3 |
| Total managed assets | 791 | 643 | 549 |
| Gross stage 3 | 4.6% | 4.3% | 4.8% |
| CRAR | 46.6% | 48.0% | 41.2% |

Source: Company, ICRA Research; All ratios as per ICRA's calculations and estimates; Amount in Rs. crore; [^] Limited review financials for H1 FY2025

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| | Current rating (FY2025) | | | | | Chronology of rating history for the past 3 years | | | |
|---|-------------------------|----------------|----------------------------------|----------------------------------|-------------------------|---|----------------------------|-------------------------|-------------------------|
| | Trust name | 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 |
| | | | | | Feb 27, 2025 | Mar 18, 2024 | Jan 05, 2024 | - | - |
| 1 | Ensata 12 2023 | Series A1 PTC | 8.36 | 3.10 | [ICRA]A+(SO) | [ICRA]A+(SO) | Provisional [ICRA]A+(SO) | - | - |
| | | Equity tranche | 0.48 | 0.48 | [ICRA]BBB+(SO) | [ICRA]BBB+(SO) | Provisional [ICRA]BBB+(SO) | - | - |

| | Current rating (FY2025) | | | | | Chronology of rating history for the past 3 years | | | |
|---|-------------------------|---------------|----------------------------------|----------------------------------|-------------------------|---|-------------------------|-------------------------|-------------------------|
| | Trust name | 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 |
| | | | | | Feb 27, 2025 | Apr 15, 2024 | Mar 31, 2024 | - | - |
| 2 | Leonard 03 2024 | Series A1 PTC | 21.06 | 11.78 | [ICRA]A(SO) | [ICRA]A(SO) | Provisional [ICRA]A(SO) | - | - |

Complexity level of the rated instrument

| Transaction | Instrument | Complexity indicator |
|-----------------|----------------|----------------------|
| Ensata 12 2023 | Series A1 PTC | Moderately Complex |
| | Equity tranche | Moderately Complex |
| Leonard 03 2024 | 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 name | Date of issuance | Coupon rate (p.a.p.m.) | Final maturity date | Amount rated (Rs. crore) | Current rating |
|------------------------|-----------------|-------------------|------------------------|---------------------|--------------------------|----------------|
| Ensata 12 2023 | Series A1 PTC | December 29, 2023 | 13.20% | June 17, 2027 | 3.10 | [ICRA]A+(SO) |
| | Equity Tranche | December 29, 2023 | Residual | June 17, 2027 | 0.48 | [ICRA]BBB+(SO) |
| Leonard 03 2024 | Series A1 PTC | March 27, 2024 | 12.00% | July 17, 2027 | 11.78 | [ICRA]A(SO) |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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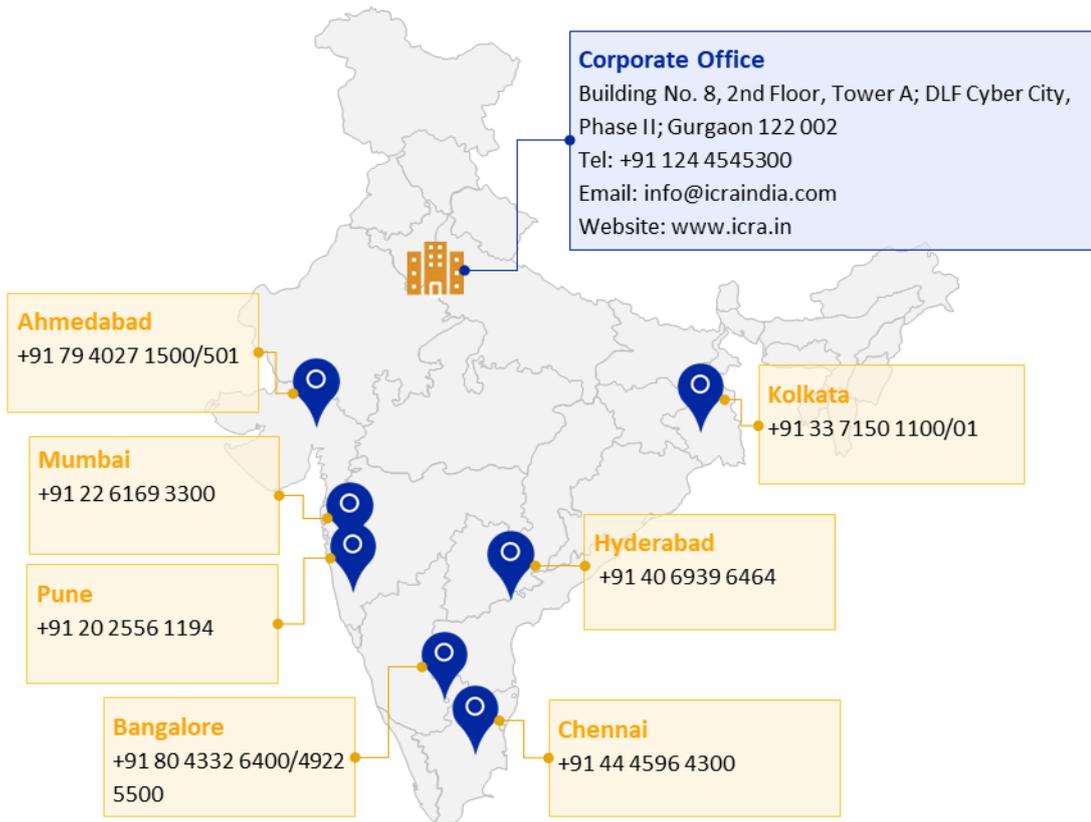


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