

March 12, 2025

Protium Finance Limited: Rating confirmed as final for PTCs issued under a secured MSME (LAP) loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Turiya LAP 241001	Series A PTCs	42.91	42.91	[ICRA]AA+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the pass-through certificates (PTCs) issued by Turiya LAP 241001 under a securitisation transaction originated by Protium Finance Limited (PFL/Originator). The PTCs are backed by a pool of micro, small and medium enterprise (MSME) loan against property (LAP) receivables originated by PFL with an aggregate principal outstanding of Rs 45.17 crore (pool receivables of Rs 77.20 crore). PFL is also the servicer of the rated transaction. 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 ratings have now been confirmed as final.

Pool performance summary

Parameter	Turiya LAP 241001
Payout month	February 2025
Months post securitisation	4
Pool amortisation	12.3%
PTC Series A amortisation	18.1%
Cumulative collection efficiency ¹	98.3%
Monthly collection efficiency	97.9%
Loss cum 0+ dpd ²	4.9%
Loss cum 30+ dpd ³	1.1%
Loss cum 90+ dpd ⁴	0.7%
Cumulative prepayment rate	8.8%
Cumulative cash collateral utilisation	0.0%

¹ Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

⁴ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

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 used for the prepayment of Series A PTCs principal. Any prepayment in the pool would be used for the prepayment of the Series A PTCs principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 8.00% of the initial pool principal, amounting to Rs. 3.61 crore, to be provided by the Originator, (ii) principal subordination of 5.00% of the initial pool principal for Series A PTCs, and (iii) the EIS of 56.00% of the initial pool principal for Series A PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 746 obligors, with top 10 obligors forming only 7.89% 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 pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Also, none of the contracts have never been overdue since origination which is a credit positive

Strong CIBIL score of the underlying borrowers – Majority of the borrowers in the pool (~81% of the initial pool principal) have have a CIBIL score of more than or equal to 700 which signifies a strong credit history of such borrowers.

Contracts backed by self-occupied residential properties – A major part of the pool (92% of its contracts in terms of the principal amount outstanding on the cut-off date) 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 periods.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Karnataka, Rajasthan and Tamil Nadu, contributing ~53% 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.

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.

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 based on 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 6.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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

The key counterparties in the rated transactions are as follows:

Transaction name	Turiya LAP 241001
Originator	Protium Finance Limited
Servicer	Protium Finance Limited
Trustee	Catalyst Trusteeship Limited
CC bank	DBS Bank
Collection and payout account bank	DBS Bank

Liquidity position

For Series A PTCs: Superior

The liquidity for Series A PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be greater than 9 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 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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Protium Finance Limited (Protium) is a systemically important non-deposit taking (ND-SI) non-banking finance company (NBFC) registered with the Reserve Bank of India (RBI). The company was incorporated in 2019 as Growth Source Financial Technologies Limited and was rechristened Protium Finance Limited in June 2022. Protium is engaged in providing secured and unsecured loans to MSME, educational institution & hospital funding, and small financial institutional funding.

The total AUM in H1FY2025 stood at Rs.5,824 crore as against AUM of Rs. 2,908 crore in FY2023. The company operates through a network of 104 branches spread across 17 states as on September, 2024.

Key financial indicators

Protium Finance Limited	FY2023	FY2024	H1FY2025
Total Income	432.5	729.0	477.1
Profit After Tax	59.5	115.3	89.7
Assets Under Management	2,908.1	4,941.9	5,824.2
Gross stage 3	0.7%	1.7%	2.3%
CRAR	50.3%	57.9%	50.9%

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

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
				Mar 12, 2025	Nov 7, 2024			
Turiya LAP 241001	Series A PTCs	42.91	42.91	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A PTCs	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
Turiya LAP 241001	Series A PTCs	October 29, 2024	8.60%	October 10, 2034	42.91	[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.

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Branches



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