March 29, 2025

Lok Suvidha Finance Limited: Provisional [ICRA]A-(SO) assigned to Series A1 PTC backed by a pool of two-wheeler and e-rickshaw loan receivables issued by Cygni 03 2025

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Cygni 03 2025	Series A1 PTC	10.00	Provisional [ICRA]A-(SO); Assigned

Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of two-wheeler and e-rickshaw loan receivables originated by Lok Suvidha Finance Limited {LSFL/Originator; rated [ICRA]BBB- (Stable)} with an aggregate principal outstanding of Rs. 11.43 crore (pool receivables of Rs. 13.62 crore). LSFL would be the servicer for the rated transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement (CE) available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

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. Any surplus excess interest spread (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.

If the current collection efficiency in respect of the Pool is less than 95% for any two consecutive payouts and/or the PAR>90 of the pool is more than 5.00% of the initial pool principal, the EIS shall be utilised towards the repayment of the principal payout to Series A1 PTC investors.

The CE available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 0.57 crore, to be provided by the Originator, (ii) principal subordination of 12.50% of the initial pool principal for Series A1 PTC and (iii) the EIS of 11.34% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool with available credit enhancement – The pool is granular, consisting of 1,585 contracts, with top 10 borrowers forming less than 2.5% of the pool principal, thereby reducing the exposure to any single borrower. Further, the CE 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. Further, all the contracts in the pool have never been delinquent post loan disbursement, thereby reflecting the borrowers' relatively better credit profile, which is a credit positive.

Healthy bureau score of borrowers – All the contracts in the pool belong to borrowers with a CIBIL score of atleast 700, which reflects their relatively better credit profile.

Servicing capability of the LFSL – LFSL has adequate track record for servicing the loan accounts in the two-wheeler and electric vehicle segment. It has demonstrated track record of collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz Madhya Pradesh, Uttar Pradesh and Bihar contributing ~88% 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 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 5.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% 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 CE to arrive at the final rating for the instrument.

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the CE available to meet the promised payout to the investors. The total CE would be ~4.50 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – The sustained weak collection performance of the underlying pool (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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of LSFL's loan portfolio till December 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Lok Suvidha Finance Limited (LSFL), incorporated in FY2008, is a Nagpur-based public, unlisted, non-deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It is promoted by Mr. Nimish Laddhad, who is currently the Managing Director. It primarily finances two-wheelers and also provides e-rickshaw loans. As on September 30, 2024, LSFL reported a profit after tax (PAT) of Rs. 2.9 crore on total managed assets of Rs. 451.2 crore in H1 FY2025 (provisional) vis-à-vis Rs. 5.1 crore and Rs. 419.5 crore, respectively, in FY2024.

Key financial indicators (audited)

LSFL	FY2023	FY2024	H1 FY2025
Total income	49.6	66.6	41.5
Profit after tax	1.6	5.1	2.9
Total managed assets	325.6	419.5	451.2
Gross NPA*	-	-	-
CRAR	37.0%	25.0%	21.7%

*Source: Company, ICRA Research; Amount in Rs. crore; H1 FY2025 financials are provisional; *LSFL recognises non-performing advances (NPAs) at 180+ days past due (dpd) and write-offs at 180+, resulting in nil gross and net NPAs*

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	Amount rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
			March 29, 2025	-	-	-
Cygni 03 2025	Series A1 PTC	10.00	**Provisional [ICRA]A-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
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 / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Cygni 03 2025	Series A1 PTC	March 29, 2025	13.20%	March 15, 2027	10.00	Provisional [ICRA]A-(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

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Himanshi Doshi
+91 22 6114 3410
himanshi.doshi@icraindia.com

Shruti Jain
+91 22 6114 3438
shruti.jain2@icraindia.com

Vishal Oza
+91 22 6114 3472
vishal.oza2@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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.

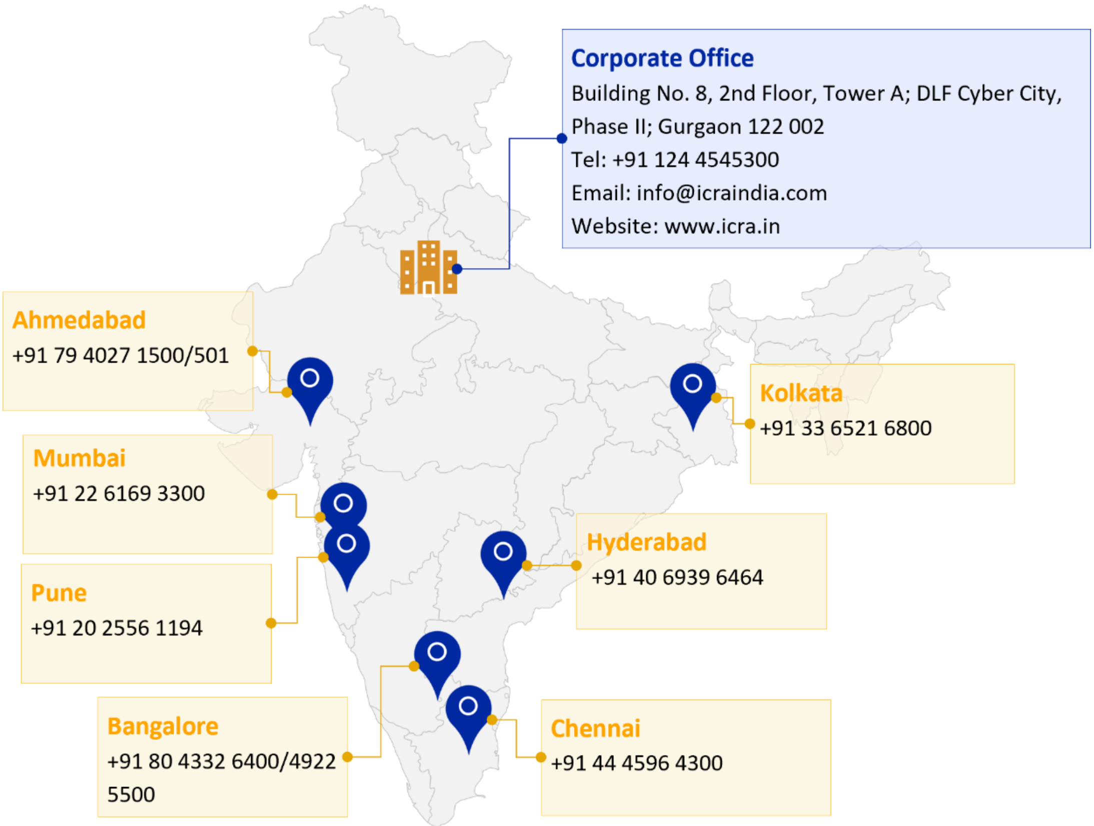
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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 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.