

May 07, 2025

Satin Finserv Limited: Ratings confirmed as final for PTCs backed by secured business loan receivables issued by Lunify 2025

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Lunify 2025	Series A1 PTC	32.69	[ICRA]A(SO); provisional rating confirmed as final
	Series A2 PTC	1.82	[ICRA]BBB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional ratings to the pass-through certificates (PTCs) issued by Lunify 2025 under a securitisation transaction originated by Satin Finserv Limited {SFL/Originator; rated [ICRA]A- (Stable)}. The PTCs are backed by a pool of secured business loan receivables originated by SFL with an aggregate principal outstanding of Rs. 36.32 crore (underlying pool receivables of Rs. 49.28 crore). SFL would also act as the servicer for the 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 rating has now been confirmed as final.

Transaction structure

The transaction has a two-tranche structure, wherein Series A2 PTC is subordinate to Series A1 PTC. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal. After the maturity of the senior tranche, the principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding Series A2 PTC (principal payouts to Series A2 PTC) on expected basis. Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis.

The credit enhancement 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. 1.82 crore, provided by the Originator, (ii) subordination of 10.00% of the initial pool principal for Series A1 PTC and 5.00% of the initial pool principal for Series A2 PTC, and (iii) the EIS of 22.68% of the initial pool principal for Series A1 PTC and Series A2 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 2,765 contracts, with no contract exceeding 1% of the 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.

Contracts backed by self-occupied residential properties – The pool (~96% 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 stress.

Servicing capability of SFL – The company has adequate processes for servicing the loan accounts in the securitised pool. It has demonstrated a considerable track record of regular collections and recoveries 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 Punjab, Uttar Pradesh and Haryana, contributing ~52% 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 6.25%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.80% to 18.00% 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 transaction are as follows:

Transaction Name	Lunify 2025
Originator	Satin Finserv Limited
Servicer	Satin Finserv Limited
Trustee	SBI CAP Trustee Company Limited
CC holding bank	ICICI Bank Limited
Collection and payout account bank	Sate Bank of India

Liquidity position:

Strong for both Series A1 PTC and Series A2 PTC

The liquidity for the instruments in the transaction is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total CE would be ~4.25 times and ~3.45 times the estimated loss in the pool for Series A1 PTC and Series A2 PTC respectively.

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 ratings.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and ICRA's evaluation of the executed transaction documents.

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 Ltd. (SCNL). It offers micro, small and medium enterprise (MSME) loans (retail and wholesale) and loans to joint liability groups (JLGs) for its business correspondent (BC) partners. It had operations in 11 states as on September 30, 2024 with assets under management (AUM) of Rs. 435.43 crore. On a standalone basis, it reported a net profit of Rs. 3.4 crore in H1 FY2025 (total comprehensive income (TCI) of Rs. 3.5 crore) against Rs. 5.1 crore in FY2024 (TCI of Rs. 5.1 crore).

SCNL is an NBFC-microfinance institution (NBFC-MFI), primarily offering 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

Satin Finserv Limited	FY2023	FY2024	H1 FY2025^
Total income	107	121	59
Profit after tax	6	5	3
Total managed assets	791	643	549
Gross NPA	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

Sr. No.	Trust Name	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years		
		Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
					May 07, 2025			
1	Lunify 2025	Series A1 PTC	32.69	32.69	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		Series A2 PTC	1.82	1.82	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)		

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex
Series A2 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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Lunify 2025	Series A1 PTC	March 25, 2025	11.95%	September 24, 2028	32.69	[ICRA]A(SO)
	Series A2 PTC	March 25, 2025	-	September 24, 2028	1.82	[ICRA]BBB+(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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