

May 27, 2025

Share Microfin Limited: Rating withdrawn for Series A1(a) PTCs and upgraded for Series A1(b) PTCs backed by microfinance loan receivables securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Talitha February 2024	Series A1(a) PTC	16.79	16.79	0.00	[ICRA]A-(SO); Withdrawn
	Series A1(b) PTC	1.87	1.87	0.36	[ICRA]AA+(SO); upgraded from [ICRA]BBB+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pool of microfinance loan receivables originated by Share Microfin Limited {SML/Originator; rated [ICRA]BB+ (Negative)}. All the payouts to the investor in the above-mentioned instrument Series A1(a) PTC have been made and no further payments are due to the investors.

The rating has been upgraded for Series A1(b) PTC on account of the healthy collections and cash collateral covering the future PTC payouts in the transaction. The rating also draws comfort from the fact that the breakeven collection efficiency is nil compared to the actual collection level observed in the pool till the May 2025 payout month.

Pool performance summary

Parameter	Talitha February 2024
Payout month	May 2025
Months post securitisation	14
Pool amortisation	85.8%
PTC amortisation	
Series A1(a) PTC	100.0%
Series A1(b) PTC	80.9%
Cumulative collection efficiency ¹	99.7%
Loss-cum-30+ dpd ² (% of initial pool)	0.3%
Loss-cum-90+ dpd ³ (% of initial pool)	0.2%
Cumulative Cash collateral (CC) utilisation	0.0%
Breakeven collection efficiency ⁴	
Series A1(a) PTC	0.0%
Series A1(b) PTC	0.0%
CC (% of balance pool)	35.3%
Principal subordination (% of balance pool) ⁵	
Series A1(a) PTC	-
Series A1(b) PTC	>100.0%
Excess interest spread (EIS; % of balance pool) ⁶	
Series A1(a) PTC	-
Series A1(b) PTC	5.7%

¹ (Cumulative current and overdue collections till date)/Cumulative billing till date

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

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

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

⁵ (Pool principal – PTC principal) / Pool principal outstanding

⁶ (Pool Cash flows – PTC Cash flows) / Pool Principal outstanding

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari passu basis. Until March 10, 2025 payout month, the principal is expected to be paid on a monthly basis (100% of the pool principal billed) to Series A1(a) PTCs till its redemption followed by the expected principal payout to Series A1(b) PTCs.

From March 10, 2025 payout month, the principal is expected to be paid pari passu to Series A1(a) PTCs and Series A1(b) PTCs on a monthly basis. The principal for both series of PTCs is promised on the respective final maturity dates. Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Till March 10, 2025 payout month, any prepayment in the pool would be used for the prepayment of Series A1(a) PTC principal and post that on to Series A1(b) PTCs.

The credit enhancement available in the structure is in the form of (i) CC of 5.00% of the initial pool principal, amounting to Rs. 1.07 crore, provided by the Originator, (ii) subordination of 21.25% of the initial pool principal for Series A1(a) PTCs and 12.50% (over-collateralisation) for Series A1(b) PTCs and (iii) the EIS of 9.49% of the initial pool principal for Series A1(a) and Series A1(b) PTCs.

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.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency of ~99% which has resulted in low delinquencies in the pool with the 90+ days past due (dpd) at 0.20% as on May 2025 payout month. Further, there have been no instances of cash collateral utilisation for the pool owing to strong collection performance and presence of EIS in the transaction.

Credit challenges

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. The performance of microfinance loans would also be exposed to political and communal risks.

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 3.5%-4.5%. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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	Talitha February 2024
Originator	Share Microfin Limited
Servicer	Share Microfin Limited
Trustee	Catalyst Trusteeship Limited
CC bank	ICICI Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Series A1(b) PTC: Superior

The liquidity for Series A1 (b) PTC is superior as the CC covers the balance PTC payouts entirely.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – The rating is unlikely to change as the CC covers the entire balance PTC payouts.

Analytical approach

The rating action is based on the analysis of the performance of the pool till April 2025 (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 ICRA's Policy on Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

SML is a non-deposit accepting non-banking financial company-microfinance institution (NBFC-MFI), incorporated as a public limited company in 1999. It provides microfinance loans to women from the weaker sections of society under the joint liability group (JLG) model. Mr. M. Udaia Kumar was the founder of the company. Currently, the company is managed by an independent professional management team headed by Mr. KV Rao since July 2024. Prior to joining SML, Mr. KV Rao has over 35 years of experience in Banking and financial services sector.

SML was impacted by Andhra Pradesh Microfinance Institutions Ordinance 2010, as it had sizeable exposure in the state. SML was admitted to CDR in September 2011 and has since been making payments accordingly. Subsequently, a Scheme of Arrangement, approved by the Hon'ble High Court of Hyderabad, was implemented, by SML being vested with Non-AP (Andhra Pradesh) & TS (Telangana) business, and the AP and TS business being vested with another entity Asmitha Microfin Limited (Asmitha). Subsequently, the company through the proceeds from a DA transaction, paid all the debt obligations (debt principal, interest, OCCRPS, OCCRPS redemption premium) to all the lenders on March 29, 2023, as laid down by the payment agreement entered into with these lenders.

SML's operations are geographically diversified with the company having a presence in 18 states across 294 districts and 717 branches. Its assets under management (AUM) stood at Rs. 298.0 crore as of December 2024.

Key financial indicators

Share Microfin Limited	FY2023	FY2024	9MFY2025
Total income	163.0	87.7	56.8
Profit after tax	4.3	2.1	(111.5)
AUM	628	550	298
Gross stage 3	0.9%	1.4%	3.8%
CRAR	78.2%	69.4%	59.9%

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	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years			
		Initial Rated Amount	Current Rated Amount	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
		(Rs. crore)	(Rs. crore)	May 27, 2025	May 06, 2024	Feb 26, 2024	-
Talitha February 2024	Series A1(a) PTC	16.79	0.00	[ICRA]A-(SO) ; Withdrawn	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-
	Series A1(b) PTC	1.87	0.36	[ICRA]AA+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Talitha February 2024	Series A1(a) PTC	Moderately Complex
	Series A1(b) 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
Talitha February 2024	Series A1(a) PTC	February 20, 2024	12.9%	November 10, 2025	0.00	[ICRA]A-(SO); Withdrawn
	Series A1(b) PTC	February 20, 2024	13.9%	November 11, 2025	0.36	[ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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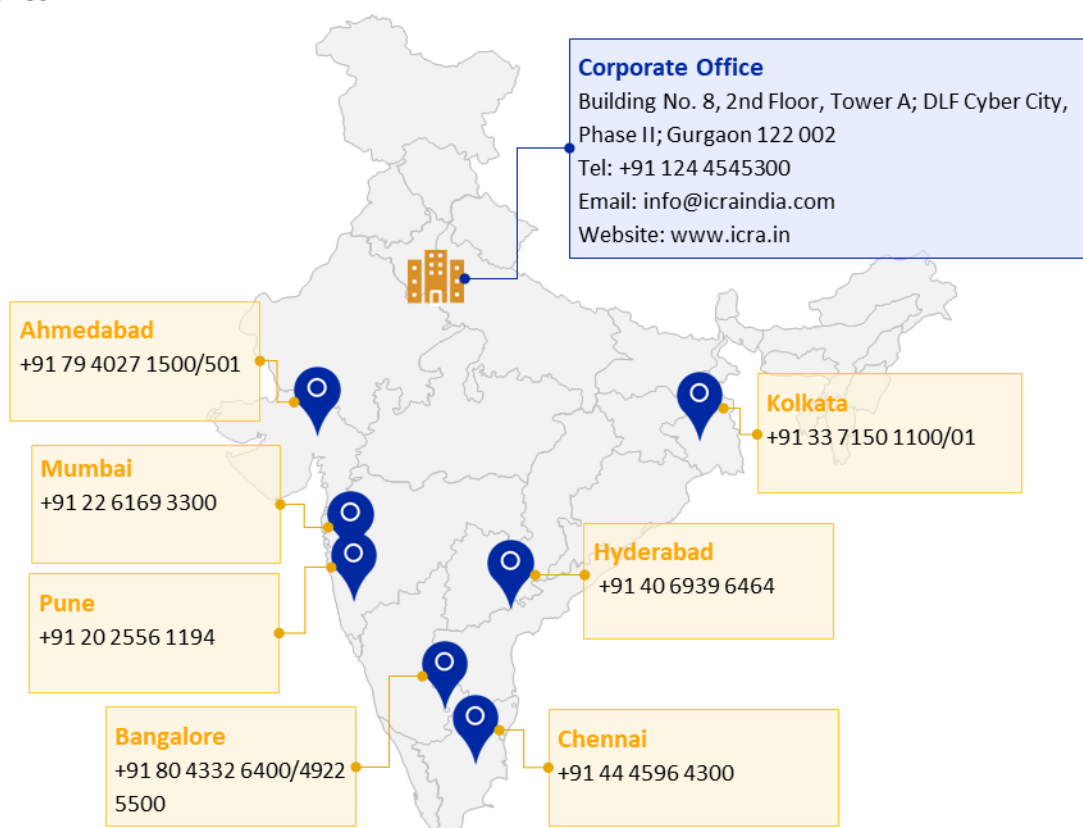


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