

June 12, 2025

Svasti Microfinance Private Limited: Rating confirmed as final for PTCs backed by microfinance loan receivables issued by Dhruv 03 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Dhruv 03 2025	Series A1 PTC	10.44	[ICRA]BBB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional rating to Series A1 PTC issued by Dhruv 03 2025 under a securitisation transaction originated by Svasti Microfinance Private Limited (Svasti/Originator). The PTCs are backed by a pool of microfinance loan receivables originated by Svasti with an aggregate principal outstanding of Rs. 11.86 crore (pool receivables of Rs. 14.50 crore). Svasti also acts 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.

Pool performance summary:

Parameter	Dhruv 03 2025
Payout Month	May 2025
Months post securitisation	2
Pool amortisation	9.7%
Series A1 PTC Amortisation	11.1%
Cumulative collection efficiency (including advance collections)	99.4%
Cumulative Prepayment rate	0.2%
Loss-cum-0+ dpd	3.1%
Loss-cum-30+ dpd	0.0%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation (CC)	0.0%

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 redemption of the Series A1 PTC principal. The transaction has certain trigger events defined. On the occurrence of these events, the residual cash flows would be passed on to the Series A1 PTC investors.

The credit enhancement available in the structure is in the form of (i) CC of 6.00% of the initial pool principal (as against 5.50% indicated at the time of assigning provisional rating), amounting to Rs. 0.71 crore, provided by the Originator, (ii) principal subordination/over-collateralisation (OC) of 12.00% of the initial pool principal for Series A1 PTC, and (iii) the EIS of 13.82% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 2,648 contracts, with top 10 obligors forming less than 1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, overcollateral and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by almost ~19% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

No overdue contracts in the pool – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Adequate servicing capability of Svasti – The originator has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated a considerable track record of over a decade of regular collections across geographies and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Tamil Nadu and Gujarat contributing ~89% to the initial pool principal amount. The concentration remains high even at district-level with top 5 districts accounting for ~56% of 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.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the previous fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in the collection teams. Any sustained impact of these factors on the collections from the pool would be a key monitorable.

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 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 3% 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.

Details of key counterparties

The key counterparties in the rated transaction are as mentioned below:

Transaction Name	Dhruv 03 2025
Originator	Svasti Microfinance Private Limited
Servicer	Svasti Microfinance Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	Dhanalaxmi Bank
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 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

Svasti Microfinance Private Limited was incorporated in October 2008 as Svasti Foundation and was renamed Svasti Microfinance Private Limited in October 2010. It is registered with the Reserve Bank of India as a non-deposit taking, non-banking financial company – microfinance institution (ND-NBFC-MFI). Svasti provides microcredit to women borrowers for income-generating activities under the joint liability group (JLG) lending model and it also extends loan against property (LAP). Along with microcredit, it offers individual loans for business activities and insurance products to the existing members of the JLG. The share of JLG loans is 94% with LAP accounting for the balance.

As on December 31, 2024, the company reported assets under management (AUM) of Rs. 1,055 crore with a presence in 8 states and 96 districts, catering to 4.0 lakh borrowers through a network of 150 branches.

Key financial indicators

Svasti	FY2023	FY2024	9M FY2025*
Total income	179.7	285.6	199.6
Profit after tax	17.6	37.5	5.9
Total managed assets	1,239.5	1,518.6	1,193.6
Gross stage 3	1.3%	1.6%	9.9%
CRAR	20.6%	22.3%	24.0%

Source: Company, ICRA Research; Amount in Rs. crore; *Provisional

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 (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				June 12, 2025	March 31, 2025	-	-
Dhruv 03 2025	Series A1 PTC	10.44	10.44	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(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	Date of issuance / Sanction	Coupon rate (p.a.p.m.)	Maturity Date	Current rated amount (Rs. crore)	Current rating
Dhruv 03 2025	Series A1 PTC	March 29, 2025	13.25%	December 16, 2026	10.44	[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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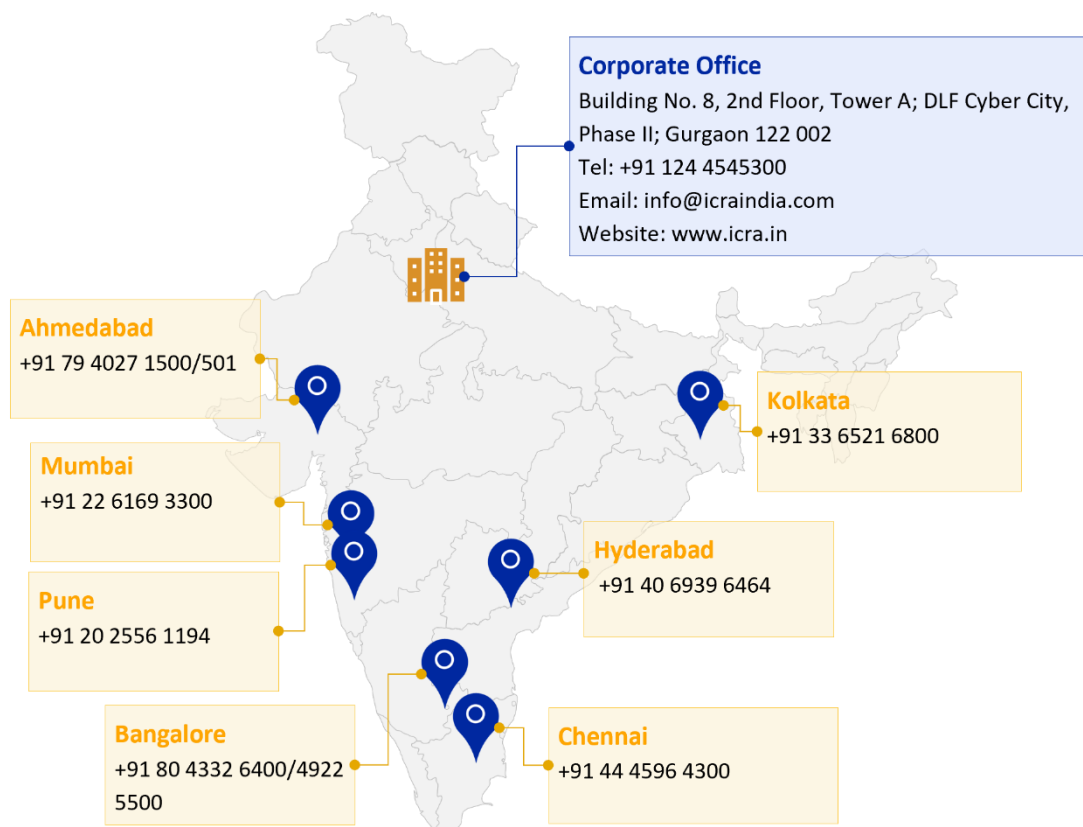


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