

July 01, 2022

Vaya Finserv Private Limited: Provisional [ICRA]A(SO) assigned to PTC Series A1 backed by microfinance loan receivables issued by NIMBUS 2022 MFI Auriga

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
NIMBUS 2022 MFI Auriga	PTC Series A1	33.85	Provisional [ICRA]A(SO); Assigned

*Instrument details are provided in Annexure-1

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

ICRA has assigned a provisional rating to the pass-through certificates (PTCs) issued under a securitisation transaction originated by Vaya Finserv Private Limited (Vaya; rated [ICRA]BBB (Stable)/[ICRA]A3+). The PTCs are backed by a pool of Rs. 45.64-crore microfinance loan receivables (underlying pool principal of Rs. 39.94 crore).

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 form of (i) a cash collateral (CC) of 5.00% of the pool principal to be provided by Vaya (originator), (ii) subordination/over-collateralisation of 15.25% of the pool principal for PTC Series A1, and (iii) the entire excess interest spread (EIS) 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 the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, over-collateralisation (subordination) and CC
- No overdue contracts in the pool as on the cut-off date

Credit challenges

- High geographical concentration with top 3 states contributing ~94% to the initial pool principal amount
- Performance of the pool would be exposed to any disruptions that may arise due to the Covid-19 pandemic
- Performance of the pool would also remain exposed to natural calamities that may impact the income-generating capability of the borrower, given the marginal borrower profile; further, pool's performance would be exposed to political and communal risks

Description of key rating drivers highlighted above

The first line of support for PTC Series A1 in the transaction is in the form of an over-collateralisation (subordination) of 15.25% of the pool principal. Further credit support is available in the form of an EIS of 9.87% for PTC Series A1. A CC of 5.00% of the initial pool principal, to be provided by Vaya, would act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the trustee will utilise the CC to meet the shortfall.

As per the transaction structure, the collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1. The entire principal repayment to PTC Series A1 is promised on the scheduled maturity date. The EIS available after meeting the scheduled PTC payments shall flow back to the originator on every payout date subject to the predefined triggers.

There are no overdues in the pool as on the cut-off date. The pool has high geographical concentration with the top 3 states contributing ~94% to the initial pool principal amount. At the district level, the top 5 districts account for ~27% of the initial pool principal amount. The performance of the pool would be exposed to political and communal risks as well as natural calamities that may impact the income-generating capability of the borrower. Also, it would remain exposed to any disruptions that may arise due to the pandemic.

Past rated pools: ICRA has rated seven microfinance loan receivable PTC transactions originated by Vaya in the past (between December 2019 and March 2022). Three of these pools are live as on date while the ratings for the other transactions have been withdrawn. The live pools have displayed strong collections with a cumulative collection efficiency of more than 99% as of the May 2022 payout. There has been nil CC utilisation in the live pools as of the May 2022 payout.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the performance of the originator's portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 4.0-5.0% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-9.0% per annum.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. This imparts significant liquidity to the transaction in the interim period. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC Series A1 investors.

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 CE would result in a rating upgrade.

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.

Analytical approach

The rating action is based on the analysis of the performance of Vaya's portfolio till March 2022, 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	Comments
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 a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant's Know Your Customer (KYC) 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 company

Vaya Finserv Private Limited, incorporated in March 2014, is a non-banking financial company – microfinance institution (NBFC-MFI) with its registered office in Hyderabad. The company provides microloans under the joint liability group (JLG) model along with credit-linked insurance. Vaya also operates as a business correspondent for RBL Bank and Yes Bank (now discontinued). Its loans qualify for priority sector lending for banks. As on March 31, 2022, the company reported assets under management (AUM) of Rs. 1,202 crore with a presence in 7 states and 91 districts, catering to 4.8 lakh active borrowers through a network of 266 branches.

Key financial indicators

For the period ended As per	Mar-20 Ind-AS Audited	Mar-21 Ind-AS Audited	Mar-22 Ind-AS Provisional
PAT	7	10	12
Total Managed Assets	1,386	1,452	1,588
Gearing (adjusted; times)	3.8	2.6	3.9
Gross NPA (%)	0.9%	2.8%	3.1%

Net NPA (%)	0.3%	1.6%	1.1%
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Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 (FY2023)			Chronology of Rating History for the Past 3 Years			
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					July 01, 2022	-	-	-
1	NIMBUS 2022 MFI Auriga	PTC Series A1	33.85	33.85	Provisional [ICRA] A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
NIMBUS 2022 MFI Auriga	PTC Series A1	June 2022	9.60%	November 2023	33.85	Provisional [ICRA]A(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure-2: 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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