

February 02, 2023<sup>(Revised)</sup>

## NDX P2P Private Limited : Provisional [ICRA]AA-(SO) assigned to Series B PTC backed by consumer loan and personal loan receivables issued by NDX Pass Through Certificates Series B

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
NDX Pass Through Certificates Series B	Series B PTC	148.43	Provisional [ICRA]AA-(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
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### Rationale

ICRA has assigned a provisional rating to the pass-through certificates (PTCs) issued under a securitisation transaction originated by NDX P2P Private Limited (Liquiloans). The PTCs are backed by a pool of Rs. 167.54-crore consumer loan (CL) and personal loan (PL) receivables<sup>1</sup> (underlying pool principal of Rs. 148.43 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) cash collateral (CC) of 5.62% of the pool principal to be provided by the originator, and (ii) the entire excess interest spread (EIS) of 12.88% 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 the review of the documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS) and cash collateral (CC)
- Healthy collection efficiency seen in the pool post cut-off date

#### Credit challenges

- Presence of overdue contracts in the pool; however, high amortisation provides comfort
- Limited track record of the entity
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; performance of the pool will remain exposed to macro-economic shocks / business disruptions, if any

### Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC investors. The entire principal amount is promised on the final maturity date while the interest shall remain on an expected basis. No cashflows are

<sup>1</sup> Share of CL is 97.7% and PL is 2.3% in the pool principal

promised to Series B PTC on a monthly basis. The final maturity date is January 15, 2025. On each payout date, the collections from the pool, will be used to make the expected principal payouts to Series B PTC (not promised). Any shortfall in making the expected principal payment to Series B PTC would be carried forward to the subsequent payout. The remaining cashflows / proceeds, after the making the expected payouts, would be used for prepayment of Series B PTC principal. Therefore, the actual tenure of the PTCs is expected to be shorter owing to such acceleration. All prepayment amounts would be passed on to Series B PTC (till the Series B PTC principal is not fully amortised) every month and its future payouts would be revised accordingly. Liquiloans, which operates as a peer-to-peer (P2P) lender, has appointed a trustee who monitors and controls the entire cashflow cycle (from investors on the platform to borrowers and vice-versa). This thus prevents any commingling of collections with the originators in the transaction.

The entire pool interest, which amounts to 12.88% of the initial pool, is available to the PTC investors as a form of credit enhancement and serves as the first line of support for Series B PTC in the transaction. A CC of 5.62% of the initial pool principal (Rs. 8.35 crore) is to be provided by Liquiloans which acts as further credit enhancement in the transaction. The CC will be provided in two tranches, namely CC1 and CC2. CC1 which would amount to 2.26% of the initial pool principal (Rs. 3.35 crore) will be available for the Rs. 24.49 crore sub-pool (i.e. 16.50% of the total pool) which is backed by 100% Corporate Guarantee from Direct Selling Agent (DSA) originators. Additionally, CC2 of 3.37% of the initial pool principal (Rs. 5.00 crore) will be available for the entire pool. On the Series B final maturity date, the CC, up to the amount of external CE available, will be utilised to redeem the Series B PTCs in case there is any principal shortfall.

The pool comprises 42,731 unsecured consumer loans and personal loans. The pool had an average seasoning of 7.26 months and overdue contracts of 7.3% (of initial pool principal) as of the cut-off date of June 30, 2022. The pool had a pre-securitisation amortisation of 39.40% as of the cut-off date. Furthermore, in the following quarter (i.e. July 2022 to September 2022), nearly 41% of the balance pool had amortised with over 100% collection efficiency thus indicating a healthy collection performance. Nearly 75% of the pool has a CIBIL score of more than 700 (54% of the pool has CIBIL score over 750). The pool, however, remains exposed to the inherent credit risk associated with the underlying asset class. ICRA notes that the performance of the pool would remain exposed to any macro-economic shocks/business disruptions.

### Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) 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 mean and the coefficient of variation (CoV) are calibrated based on the values observed in the analysis of the past performance of the Originator's loan portfolio. Given the short track record of Liquiloans in the peer to peer (P2P) lending business, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of credit quality for PLs and CLs. ICRA has taken note of the inherent credit risk associated with the unsecured nature of the asset class (consumer / personal loans).

After taking into account the available credit enhancement in the transaction and 41% pool principal amortisation with healthy collection efficiencies during July 2022 to September 2022 period with no principal shortfall, ICRA estimates the adjusted shortfall in the pool principal collection within the pool's tenure at 1.50% to 2.50% of the initial pool amount, with certain variability around it. ICRA's estimation of the variability also takes into account the short track record of Liquiloans.

### Liquidity position: Strong

As per the transaction structure, there are no promised monthly cashflows to the investor and only the principal amount is promised on the scheduled maturity date of the transaction while interest is only on an expected basis. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to Series B PTC investors.

## Rating sensitivities

**Positive factors** – The rating is restricted to the current level owing to the limited performance vintage and moderate credit profile of the company. The rating could, however, be considered for an upgrade post sizeable amortisation of the pool with low delinquency levels resulting in significant build-up in the credit enhancement levels.

**Negative factors** – The rating could be downgraded based on sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and credit enhancement utilisation levels.

## Analytical approach

The rating action is based on the analysis of the performance of Liquiloans' portfolio till December 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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. Chartered Accountant's (CA) certificate for know your customer (KYC) due diligence
6. Consent of the consortium of lenders
7. 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](http://www.icra.in).

## About the company

NDX P2P Private Limited (Liquiloans) is a Reserve Bank of India (RBI) registered Non-Banking Financial Company (NBFC) offering a peer to peer (P2P) lending and borrowing platform. The company was incorporated on March 12, 2018 and commenced disbursements in November 2018. As of June 2022, Liquiloans had a total asset under management (AUM) of Rs. 777 crore. Liquiloans was founded by Mr. Achal Mittal and Mr. Gautam Adukia who have previously co-founded 'Rentomojo', a rental platform, and is a wholly owned Subsidiary of NDX Financial Services Private Limited (NFSL). While Liquiloans serves as the

NBFC, the lending platform is housed under NFSL. NFSL has raised funding from Matrix Partners along with angel investors, with the latest capital raise being Rs. 48 crore from Cred.

#### Key financial indicators

	FY2020	FY2021	FY2022
Total Income	5	25	63
Profit after tax	(0.5)	0.4	3.0
Assets under management	75	144	555
Gross NPA	0.6%	0.6%	0.2%
Net NPA	0.1%	0.0%	0.0%

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	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
					February 02, 2023			
1	NDX Pass Through Certificates Series B	Series B PTC	148.43	148.43	Provisional [ICRA]AA-(SO)	-	-	-

#### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series 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	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
NDX Pass Through Certificates Series B	Series B PTC	December 2022	9.35%	January 2025	148.43	Provisional [ICRA]AA-(SO)

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

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not Applicable

#### Corrigendum:

Document dated February 02, 2023, has been revised as detailed below:

#### Sections where revision has been made:

Rationale

Description of key rating drivers highlighted above

#### Revision:

- Footnote detailing percentage share of CL and PL has been added
- Share of pool over CIBIL Score of 750 has been added

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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.

For more information, visit [www.icra.in](http://www.icra.in)

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