July 16, 2024

# Samunnati Financial Intermediation and Services Private Limited: Provisional [ICRA]A(SO) assigned to Series A1 PTCs issued by LoanX Agri Trust, backed by a pool of agri & allied loan receivables

## Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **LoanX Agri Trust** | Series A1 PTCs | 9.27 | Provisional [ICRA]A(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 |
|---|---|

## Rationale

The pass-through certificates (PTCs) are backed by a pool of agri and allied loan receivables originated by Samunnati Financial Intermediation and Services Private Limited (Samunnati Finance/Originator) with an aggregate principal outstanding of Rs. 11.04 crore (pool receivables of Rs. 13.19 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

## 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. The residual cash flows from the pool, after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTCs principal. Any prepayment in the pool would be used for the prepayment of the Series A1 PTCs principal.

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. 0.55 crore, to be provided by the Originator, (ii) principal subordination of 16.00% of the initial pool principal for Series A1 PTCs in the form of over-collateralisation (6.90%) and an equity tranche (9.10%), and (iii) the excess interest spread (EIS) of 14.93% of the initial pool principal for Series A1 PTCs.

## Key rating drivers

### Credit strengths

**Presence of credit enhancement** – The credit enhancement available for the PTCs is in the form of the CC, subordination and EIS, which 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 23.05% as on the cut-off date with no delinquencies in any of the contracts as on the cut-off date.

## Credit challenges

**Moderate obligor concentration** – Though the pool has 1,329 contracts, it still has moderate obligor concentration with the top 10 borrowers forming ~29% of the pool principal. The pool's performance would thus be highly exposed to the repayment patterns of the top borrowers and the company's ability to limit the slippages of such borrowers.

**History of delinquencies of the underlying borrowers** – Though all the contracts in the pool are current as on the cut-off date, ~98% of the contracts in the pool have reported days past due (dpd) of up to 30 days in the past. The presence of such contracts could result in relatively weaker collections from the pool, though none of these contracts have crossed 60+ dpd.

**High geographical concentration** – The pool has high geographical concentration with the top 3 states, viz. Karnataka, Bihar and Tamil Nadu, contributing ~73% to the initial pool principal amount. Its performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

## 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 7.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.80% to 18% 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.

## Liquidity position: Strong

The liquidity position for Series A1 PTCs is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be ~4.75 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 (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 (Samunnati Finance) could also exert pressure on the rating.

## Analytical approach

The rating action is based on the analysis of the performance of Samunnati Finance's portfolio till March 2024, 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 | |
|---|---|
| **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 final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's 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 originator

Incorporated in June 2014, Samunnati Financial Intermediation & Services Private Limited (Samunnati Finance) is a registered non-banking financial company (NBFC) providing financial services in the agricultural value chain. As of March 2024, it had operations spread across in 28 states with a managed portfolio of Rs. 1,334 crore. During FY2017-9M FY2024, the company raised Rs. 736-crore capital in the form of compulsorily convertible preference shares (CCPS) from external investors including Elevar Equity (Elevar), Accel India (Mauritius) Limited (Accel), responsAbility Agriculture (responsAbility) and Nuveen Capital. Samunnati Finance's wholly-owned subsidiary – Samunnati Agro Solutions Private Limited (Samunnati Agro) – is engaged in the trading of agricultural produce. While Samunnati Finance provides financial services for the agricultural value chain, the subsidiary provides trade solutions, thus complementing the range of services offered.

The company has an approved composite scheme of arrangement, whereby its NBFC business is to be transferred to Samunnati Finance Private Limited, which is awaiting approval for an NBFC licence from the regulator. Following the transfer, Samunnati Agro will be amalgamated with Samunnati Finance. This restructuring is expected to be completed once Samunnati Finance Private Limited receives its NBFC licence.

## Key financial indicators

| | FY2022 | FY2023 | FY2024 |
|---|---|---|---|
| | Audited | Audited | Audited |
| **Total income** | 181.6 | 211.0 | 231.2 |
| **Profit after tax** | (66.6) | (98.4) | 21.0 |
| **AUM** | 1,144.0 | 1,117.2 | 1,333.5 |
| **Gross stage 3** | 2.9% | 5.9% | 2.4% |
| **CRAR** | 20.4% | 20.2% | 23.3% |

*Source: ICRA Research; Amount in Rs. crore and ratios are as per ICRA's calculations*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| S. No. | Trust Name | Current Rating (FY2025) | | | Chronology of Rating History for the Past 3 Years | | |
|---|---|---|---|---|---|---|---|
| | | Instrument | Amount Rated (Rs. crore) | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | | July 16, 2024 | - | - | - |
| **1** | **LoanX Agri Trust** | Series A1 PTCs | 9.27 | **Provisional [ICRA]A(SO)** | - | - | - |

## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| **Series A1 PTCs** | 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 Name | Date of Issuance / Sanction | Coupon Rate (p.a.p.m.) | Maturity Date | Amount Rated (Rs. crore) | Current Rating |
|---|---|---|---|---|---|---|
| **LoanX Agri Trust** | Series A1 PTCs | July 12, 2024 | 11.50% | October 17, 2026 | 9.27 | Provisional [ICRA]A(SO) |

*Source: Company*

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

Not applicable

## ANALYST CONTACTS


**Abhishek Dafria**
+91 22 6114 3440
abhishek.dafria@icraindia.com

**Sachin Joglekar**
+91 22 6114 3470
sachin.joglekar@icraindia.com

**Sumit Pramanik**
+91 22 6114 3462
sumit.pramanik@icraindia.com

**Priya Gounder**
+91 22 6114 3454
priya.gounder@icraindia.com

**Sheetal Nayak**
+91 22 6114 3420
sheetal.nayak@icraindia.com


## RELATIONSHIP CONTACT


**L. Shivakumar**
+91 22 6169 3304
shivakumar@icraindia.com


## MEDIA AND PUBLIC RELATIONS CONTACT


**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com


## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## 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.

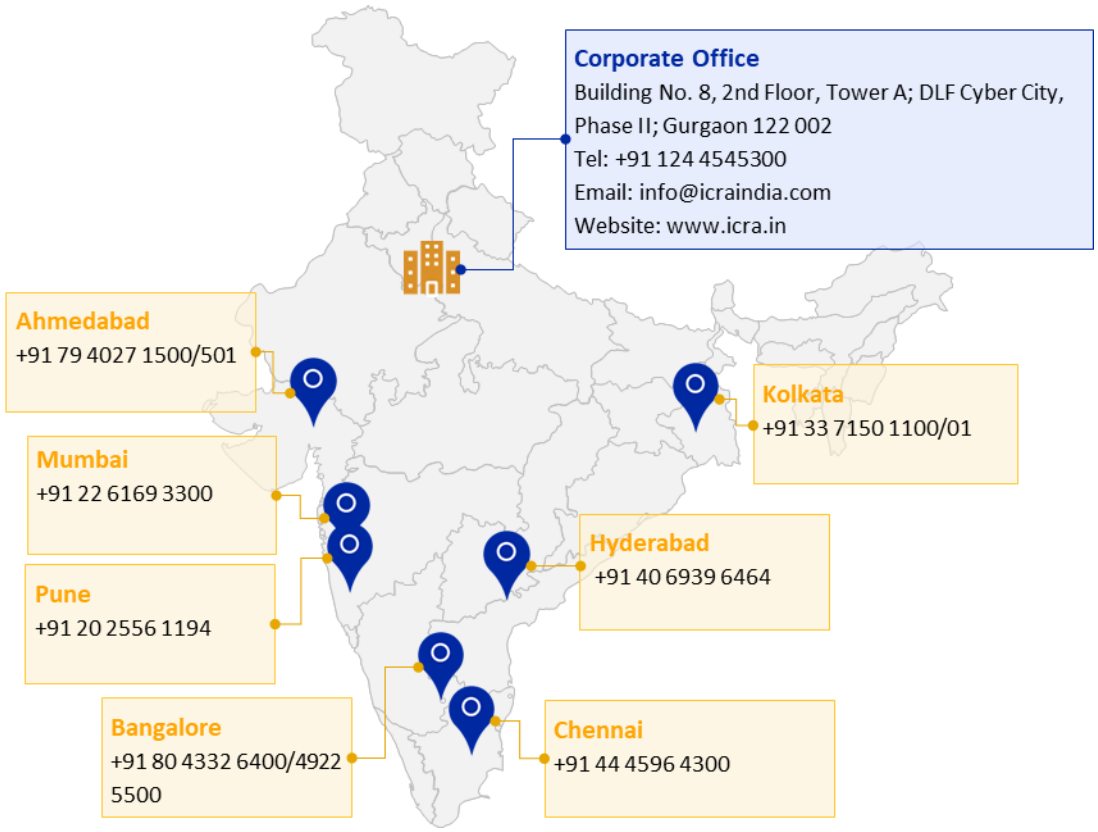
For more information, visit www.icra.in

## ICRA Limited

### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

### Branches




© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.