

## Zen Lefin Private Limited

### Ephor SBL IFMR Capital 2016

Ratings of Provisional [ICRA]A-(SO)<sup>†</sup> and Provisional [ICRA]B(SO) have been assigned to PTC Series A1 and PTC Series A2 respectively, issued by Ephor SBL IFMR Capital 2016 backed by a pool of Small Business Loan receivables originated by Zen Lefin Private Limited.

**Table 1: Rating Summary**

Description	Principal (Rs. Crore <sup>1</sup> )	Maturity	Rating
PTC Series A1	8.84	January 2019	Provisional [ICRA]A-(SO)
PTC Series A2	1.04	January 2019	Provisional [ICRA]B(SO)
Over collateral	0.52		
<b>Total</b>	<b>10.40</b>		

The provisional ratings are subject to the fulfillment of all conditions under the structure, review of documentation pertaining to the transaction by ICRA, confirmation of the yield on the PTCs, and the receipt by ICRA of a legal opinion on the transaction documentation and the satisfactory due diligence audit of the pool. The provisional ratings are based on the strength of cash flows from the selected pools of contracts; the credit enhancement available in the form of (i) cash collateral of 9.00% of the pool principal to be provided by the Originator, (ii) subordination of 15.00% of the pool principal for PTC A1 and 5.00% of the pool principal for PTC A2, and (iii) subordination of entire Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure.

The pool consists of Small Business Loans (SBLs or SME loans as referred to by Zen Lefin) (loans disbursed to small and medium sized businesses) given by the Originator, Zen Lefin, which is an NBFC<sup>2</sup> operating in 13 states and the NCR. The pool consists of monthly-paying loan contracts, with low to moderate seasoning and a moderate residual tenure (29 months).

The Trust will issue two series of PTCs backed by the receivables. The upfront purchase consideration to be paid by PTC A1 to the Trustee will be 85.00% of the total pool principal i.e. Rs. 8.84 crore and that payable by PTC A2 to the Trustee will be 10.00% of the total pool principal i.e. Rs. 1.04 crore.

The promised cashflow schedule for PTC A1 on a monthly basis will comprise interest (at the pre-determined yield) on the o/s PTC principal on each payout date and the entire principal on the final maturity date. PTC A2 is subordinate to PTC A1. On each payout date, all excess cashflow, after meeting the promised PTC A1 Payouts, will be paid out to meet the expected PTC A1 by way of accelerated principal amortization (to the extent of pool principal billing) followed by interest payout to PTC A2. After the maturity of PTC A1, interest payouts will be promised to PTC A2 and all excess cashflows, after meeting the promised PTC A2 payouts, will be passed on to PTC A2 for its principal acceleration. Therefore, actual tenure of the PTCs is expected to be shorter owing to such acceleration.

Based on the analysis of the past performance of Zen Lefin's Small Business Loan portfolio and the expected future performance of the selected pool of loans, ICRA believes that the credit support provided has been adequately sized to cover the credit / liquidity risk in the transaction.

### About the Originator

Zen Lefin Credit Pvt Ltd. (Trade name for the company is Capital Float) is an NBFC which started its operations in 2013 by co-founders Mr. Sashank Rishyasinga and Mr. Gaurav Hinduja. It adopts a hybrid model to lend to SMEs using an online platform whereby the company finances some proportion of the money from its own balance sheet while the balance proportion is off-balance sheet and is financed by the co-lenders which can be financial institutions or HNIs. The current on-book portfolio comprises 80% of the portfolio while the rest 20% is

<sup>†</sup> For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>1</sup> 100 Lakh = 1 crore = 10 million

<sup>2</sup> Non-Banking Finance Company



off-balance sheet portfolio. As per the co-founders, they have chosen to work on a hybrid model unlike pure marketplace model as the business model is new and they would want to have some skin in the game initially, to gain confidence from the co-lenders. The co-lender (FIs & HNIs), Zen Lefin and the borrower have a tripartite agreement in every loan.

The company disburses three types of loans viz. E-commerce loans, Uber loans and SME loans. In case of the SME loans, the company disburses small business loans to small manufacturers, service providers, retail businesses for tenure of 1-3 years. The E-commerce finance loans are given to established merchants in the e-commerce marketplace with tenure of 90 days to 180 days. The Uber loans are given to Uber drivers for purchase of their own vehicles and have tenure of 3-4 years.

As on March 2016, the company has a book-size of around Rs.133 crore and is present across 31 cities. The company reported a net loss of around Rs 29 crore on a total asset base of Rs 133 crore as on March 2016. The reported net-worth of the company stood at around Rs 73 crore as on March 2016 after which the company has raised Series B funding of Rs 170 crore in May 2016, thus indicating a healthy capitalization profile. The SME loan portfolio stands at Rs. 90 crore as on March 2016. The major states of operation where SME loans are disbursed are Karnataka, Tamil Nadu, Delhi and Maharashtra which together account for close to 67% of the portfolio. ICRA has a rating outstanding of [ICRA]BBB-(Stable) for the long-term bank facilities and subordinated debt programs of Zen Lefin.

This is the first pool of Zen Lefin to be rated by ICRA.

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