

Muthoot Microfin Limited

Tanner IFMR Capital 2016

The ratings of Provisional [ICRA]A(SO) and Provisional [ICRA]BBB(SO) have been assigned to PTC Series A1 and PTC Series A2 respectively, issued by Tanner IFMR Capital 2016, backed by pool of micro loan receivables, originated by Muthoot Microfin Limited (MML).

Table 1: Rating Summary

Description	Amount (Rs. Cr)	Maturity	Rating
PTC Series A1	53.20	July 2018	Provisional [ICRA]A(SO)
PTC Series A2	4.18	July 2018	Provisional [ICRA]BBB(SO)
Over-collateralization	2.39		Unrated
Total	59.78		

The 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 4.00% of the pool principal to be provided by the Originator, (ii) subordination of 11.00% of the pool principal for PTC Series A1 and 4.00% of pool principal for PTC A2, and (iii) the entire Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure.

The selected pool consists of unsecured micro loans (less than or equal to Rs. 45,000 each) and is characterized by moderate residual tenure of contracts (21 months), average seasoning of about 15.9 weeks and no overdue on the selected loans as of date. All the contracts in the underlying pool are compliant with the Minimum Holding Period (MHP) criteria of at least 12 repayments for weekly products, as prescribed by the RBI Securitisation Guidelines. According to the transaction structure, the entire pool of selected contracts will be assigned to a Special Purpose Vehicle (Trust) at par. The Trust has issued two series of PTCs backed by the receivables. PTC A1 (89.00% of the pool principal) and PTC A2 (7.00% of pool principal) have sequential seniority on principal payment. Any payment to the Originator will be made only after all the PTC Payouts are fully made.

The monthly schedule of promised cashflows for PTC A1 will comprise payment of yield (at the pre-determined rate on the principal outstanding) and scheduled principal repayment on a monthly basis (not promised before last payout date). For PTC A2, the monthly schedule of promised cashflows comprises of payment of yield on a monthly basis while principal is scheduled to be paid on monthly basis (not promised before last payout date) after payment of PTC A1 in full. Any principal payout to PTC A2 will be made only after PTC A1 has been paid in full.

Based on the analysis of the past performance of Ujjivan's 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

Muthoot Microfin Limited (MML) is part of the Muthoot Pappachen Group. The Muthoot Pappachen Group is highly diversified, having its presence in Financial Services, Insurance & Broking services, Precious Metals, Automotive, Hospitality, Real Estate, IT Infrastructure, Alternate Energy, Health Care & IT. The group entered into the business of microfinance in the year 2010, as a division of Muthoot Fincorp Ltd (MFL). The product was named as Muthoot Mahila Mitra. The first branch of Muthoot Microfin was opened in Choolaimedu (Chennai), Tamil Nadu (March, 2010). The microloans are given under Joint Liability Groups (JLG) or Group Guarantee model. MFL has 98.79% stake in MML as on June 2016. As on June 2016, the company has 222 branches across 5 states.

As of June 2016, the company has a portfolio size of about Rs. 844.05 crores. Most of the portfolio is concentrated in the states of Kerala and Tamil Nadu (~95% as on Jun-16). The 0+ delinquency as on June 2016 is very low at 0.07%.

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