

March 20, 2018

## Satin Creditcare Network Ltd. (Satin)

### Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore <sup>1</sup> )	Rating action
1	Saffron Trust November 2017	PTC Series A	275.80	[ICRA]BBB+(SO) Confirmed as final

\*Instrument details are provided in Annexure I

### Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Saffron Trust November 2017 trust as final, as tabulated above

### Rationale

In November 2017, ICRA had assigned Provisional [ICRA]BBB+(SO) rating to PTC Series A, issued by Saffron Trust November 2017 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

### Key rating drivers

#### Credit Strengths

- The first line of support is available for the transaction through subordination of 8.00% of pool principal for PTC Series A;
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 8.67% of the pool principal amount for PTC A followed by a Credit Collateral (CC) equivalent to 6.00% of the initial pool principal amount.
- Favorable selection filters for the pool like absence of overdue contracts, absence of contracts from districts which were severely impacted on the account of demonetization and high proportion of borrowers who have completed 1 or more loan cycles (around 49%) in the pool;
- Moderately high seasoning and amortization of the contracts in the pool of 34.26 weeks and 42.58% respectively

#### Credit Weakness

- High geographical concentration of the contracts in the pool at a state level with top 3 states accounting for 69% of the pool principal and moderate concentration at a district level with the top 10 districts making up 35.94% of the pool principal;

#### Description of key rating drivers highlighted above:

The first line of support for Series A PTCs in the transaction is in the form of subordination of 8.00% of the pool principal (includes over collateralization). An important feature of the structure in this transaction is that any collection in excess of the promised interest payouts to PTC A would be first utilised for payment of scheduled principal of PTC A and the remaining would be passed on to the originator on a monthly basis.

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



Additionally, EIS available in the structure will also provide credit enhancement support to the transaction. Cash collateral of 6.00% of the initial pool principal provided by Satin acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall.

There are no overdues in the pool as on the cut-off date. Around 49% of borrowers in the pool have completed 1 or more loan cycles as on the pool cut-off date. Borrowers who are in their 1<sup>st</sup> loan cycle are considered riskier as they have a limited payment track record.

The pool consists of loans that are moderately seasoned with weighted average seasoning of 34.26 weeks, and have a moderate pre-securitisation amortisation of 42.58%. The door to door residual tenure of the contracts is 92 weeks which is in line with past rated pools originated by Satin. The contracts have an average ticket size of Rs. 25,481 which is in line with industry standards.

The geographical concentration of the loan contracts in the current pool is high with 68.97% of contracts originating from the states of Bihar, West Bengal and Uttar Pradesh and the top ten districts constituting 35.94% of the pool principal.

#### **Key rating assumptions**

ICRA's cash flow modeling for rating ABS transactions involves simulation of potential delinquencies, losses and prepayments in the pool. The assumptions for mean shortfall and the Co-efficient of Variation (CoV) are arrived on the basis of the values observed in the analysis of the Originator's loan portfolio. Additionally, the assumptions may also be adjusted to account for the current macro economic situation as well as any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be about 4.0% - 5.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 12.0% - 18.0% per annum.

#### **Analytical approach:**

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

#### **Links to applicable Criteria**

[Rating Methodology for Securitisation Transactions](#)

#### **About the Company:**

Satin Creditcare Network Limited (Satin) was set up in 1990 with the concept of providing individual business loans to urban shopkeepers and entered into group lending to the rural poor only in 2008. It was registered with RBI as deposit taking Non-Banking Finance Company (NBFC) under the name Satin Leasing and Finance Company Limited. In 1994, it was converted into a public limited company and was renamed as Satin Creditcare Network Limited in 2000. The Company stopped accepting public deposits with effect from 20<sup>th</sup> November, 2004 and the classification of the company changed from Category A (Deposit taking) to Category B (Non Deposit Taking) by RBI in Feb 2009. ICRA has a rating outstanding of [ICRA]BBB+(Negative) and [ICRA]A2 on the debt instruments and commercial papers respectively of Satin.

The company is engaged in microfinance operations across many states in India. The company's urban microfinance operation is primarily based on the individual loan model and serves clients in 18 states/UTs. The rural microfinance operation is based on the Grameen Bank Joint Liability Group (JLG)

model and currently operates across 270 districts as on Nov-17. Satin is listed on the National, Bombay and Kolkata stock exchanges. As on Nov-17, the portfolio of the company stood at Rs. 4,075 crore. Satin reported a PAT of Rs. 24.5 crores on managed assets of Rs 3,556 crores in FY2017 as against a 57.9 crores on managed assets of Rs 3,271 crores in FY2016. The regulatory capital adequacy as on Mar-17 stands at 24.1%. As on November 2017, the 0+ dpd and 30+ dpd levels for the portfolio stood at 16.77% and 13.93% respectively.

**Key Financial Indicators (Audited)**

	<b>FY2016</b>	<b>FY2017</b>	<b>Q1FY2017</b>	<b>Q1FY2018</b>
Net interest income(Rs. crore)	177.4	215.7	49.6	78.5
Profit after tax(Rs. crore)	57.9	24.5	24.6	-78.0
Total Assets(Rs. crore)	3,303	4,748	3,586	4,829
CRAR (%)	16.82%	24.14%	17.87%	21.68%
Gearing (times)	8.53	6.14	8.63	5.91
% Net profit/Average Managed Assets	1.6%	0.5%	2.2%	-6.1%
% Return on net worth	22.39%	5.10%	29.44%	-48.36%
Net NPA/Net worth	0.85%	59.55%	0.83%	53.01%

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

S.No.	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Amount Outstanding (Rs. Crore)	Month-year & Rating March 2018	Month- year & Rating November 2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	Saffron Trust November 2017	PTC Series A	275.80	275.80	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

*\*Initial Rating for the pool done in Nov-17*

**Complexity level of the rated instrument: Highly Complex**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure I**  
**Details of Instruments**

<b>Sl .</b>	<b>Trust Name</b>	<b>Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Schedule d Maturity Date<sup>#</sup></b>	<b>Rated Amount (Rs. crore)</b>	<b>Amount Outstanding (Rs. Crore)</b>	<b>Current Rating</b>
1	Saffron Trust November 2017	PTC Series A	Nov 2017	10.25%	Sep 2019	275.80	275.80	[ICRA]BBB+(SO)

*<sup>#</sup> the actual tenure is likely to be shorter owing to prepayments and accelerated amortisation*



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