

Satya MicroCapital Ltd.

October 31, 2018

Summary of rated instruments

Issue Name	Instrument*	Initial Amount (Rs. Crore)	Amount o/s after previous surveillance exercise (Rs. Crore)	Amount o/s after Sep-18 payout (Rs. crore)	Rating action
Vivriti Aleta 001 2017	PTC Series A1	7.00	4.12	1.66	Rating upgraded from [ICRA]A-(SO) to [ICRA]A+(SO)
	PTC Series A2	0.44	0.44	0.44	Rating upgraded from [ICRA]BBB(SO) to [ICRA]A-(SO)
Missandei IFMR Capital 2017	PTC Series A1	11.09	8.20	4.40	Rating upgraded from [ICRA]BBB+(SO) to [ICRA]A-(SO)
	PTC Series A2	0.37	0.37	0.37	Rating upgraded from [ICRA]BBB(SO) to [ICRA]BBB+(SO)
Northern Arc 2018 MFI Donna	PTC Series A1	13.90	-	9.21	Rating upgraded from [ICRA]A(SO) to [ICRA]A+(SO)
	PTC Series A2	3.18	-	2.67	Rating upgraded from [ICRA]BBB+(SO) to [ICRA]A-(SO)
	PTC Series A3	0.99	-	0.99	Rating upgraded from [ICRA]BBB-(SO) to [ICRA]BBB(SO)
Northern Arc 2018 MFI Atticus	PTC Series A1	14.68	-	12.37	Rating reaffirmed at [ICRA]A(SO)
	PTC Series A2	2.94	-	2.94	Rating reaffirmed at [ICRA]BBB+(SO)

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed/ upgraded the ratings for PTCs under four securitization transactions originated by Satya MicroCapital Ltd. (Satya), as tabulated above. The PTCs in all the transactions are backed by micro loan receivables originated by Satya. The receivables have been assigned to the respective trusts at par and all the trusts except Northern Arc 2018 MFI Donna have issued two series of PTCs backed by the same. Northern Arc 2018 MFI Donna has issued three series PTC's backed by the micro loan receivables.

Rationale

The upgrade in the ratings under three of the transactions is on account of the moderate to high amortization of the PTCs. The amortization has led to build up of the credit enhancement support over the balance tenure for these pools, and as a result the breakeven collection efficiencies have reduced. The fourth pool (Northern Arc 2018 MFI Atticus) has amortized to a lower extent as compared to the other pools since it has completed only 3 monthly payouts post securitization. The rating reaffirmation in the Atticus transaction is on account of slight build-up of credit enhancement support due to the relatively lower amortization.. A summary of the performance of all the pools till August 2018 collection month (September 2018 payout) has been tabulated below.

Pool Performance Summary

Parameter	Aleta	Missandei	Donna	Atticus
Months post securitisation	14	12	6	3
Pool Amortization	67.5%	53.6%	25.9%	11.8%
PTC Amortization:				
Total	71.8%	58.3%	28.8%	13.1%
PTC A1	76.2%	60.3%	33.7%	15.8%
PTC A2	0.0%	0.0%	15.9%	0.0%
PTC A3	-	-	0.0%	-
Latest 3 months' average monthly collection efficiency	100.0%	100.0%	100.0%	100.0%
Cumulative Collection Efficiency ¹	100.0%	100.0%	100.0%	100.0%
Loss cum 0+ dpd ² (% of initial Pool)	0.0%	0.0%	0.0%	0.0%
Loss cum 90+ dpd ³ (% of initial Pool)	0.0%	0.0%	0.0%	0.0%
Cumulative Cash Collateral Utilization	0.0%	0.0%	0.0%	0.0%
Breakeven Collection Efficiency ⁴ for PTC A1	38.9%	58.7%	50.3%	57.2%
Credit Collateral (% of Balance Pool)	24.6%	15.1%	8.1%	7.9%
Principal Subordination (% of Balance Pool) for PTC A1	35.4%	23.7%	37.4%	28.4%
Excess Interest Spread (% of Balance Pool) for PTC A1 ⁵	5.4%	6.5%	11.6%	14.8%

Key rating drivers

Credit Strengths

- Moderate to high amortization of PTCs resulting in build-up of Cash Collateral (CC), Principal subordination and Excess Interest Spread cover available for the balance PTC payouts;
- Negligible delinquency levels in all the pools

Credit Challenges

- High geographical concentration in all the pools;
- No borrower is from loan cycle 2 or above

Description of key rating drivers highlighted above:

The performance of all the pools has been good till the collection month of August 2018, with the cumulative collection efficiencies of around 100% for all the pools. As the PTCs have amortised moderately, there has been a build-up in credit enhancement for the balance tenure of the PTC payouts. The loss cum 0+ delinquency levels in all the pools is 0.0% of the initial pool principal after the September-18 payout for all the pools.

Geographically, all the pools are concentrated with the top state accounting for between 25% to 36% of the balance pool principal. The top 10 branches account for 86% and 72% of the balance pool principal for the Aleta and Missandei pools respectively and 58% and 42% of the balance pool principal for the Donna and Atticus pools respectively.

¹ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

² Inclusive of Unbilled and Overdue Principal portion of delinquent contracts, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

⁴ (Balance Cashflows payable to investor of PTC A1 – Cash collateral available)/ Balance Pool Cashflows

⁵ (Pool Cashflows – Cashflows to PTC A1 – PTC A2 principal – originator's residual share)/ Pool Principal outstanding

None of the borrowers in the pools have completed 1 or more loan cycles as on the pool cut-off date. Borrowers who are in their 1st loan cycle are considered riskier as they have a limited payment track record.

Overall, the credit enhancement available for meeting balance payouts to the PTC investors - after considering a reset of cash collateral in the Missandei transaction – is sufficient to reaffirm/upgrade the ratings of the transactions as mentioned above. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA’s expectations.

Key rating assumptions

ICRA’s cash flow modeling for surveillance of ABS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator’s portfolio, and also the performance and characteristics of the specific pools being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected loss during the balance tenure of the pools are as given in the table below.

Sr. No	Transaction Name	Expected Loss (% of initial pool principal)
1	Vivriti Aleta 001 2017	1.5% - 2.0%
2	Missandei IFMR Capital 2017	2.0% - 3.0%
3	Northern Arc 2018 MFI Donna	3.5% - 4.5%
4	Northern Arc 2018 MFI Atticus	4.5% - 5.5%

The prepayment rates for the underlying pools are estimated to be in the range of 2.0% - 6.0% per annum.

Analytical approach:

The rating actions are based on the performance of the pools till August 2018 (collection month), the present delinquency profile of the pool contracts, geographical spread of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in these transactions.

Links to applicable criteria:

[Rating Methodology for Securitisation Transactions](#)

About the company:

Satya MicroCapital Limited (formerly known as TFC Finvest Limited) is a Delhi based NBFC which was incorporated as a limited company in 1995. Satya started its microfinance operations by adopting the JLG model with a fortnightly collection cycle in November 2016. Satya offers ticket sizes ranging up to Rs. 50,000, at an interest rate of 24.01-24.51% depending on the ticket size, along with a 1% processing fee. SML focussed solely on lending to women (husbands act as co-borrowers) with the aim of starting a new business or enhancing existing businesses.

As on July 31, 2018, the company had presence in 57 branches in 57 Districts in 12 states i.e. Punjab (23%), Haryana (14%), Rajasthan (14%), Uttar Pradesh (23%), Bihar (16%), Chhattisgarh (6%), Uttarakhand (4%) and small portfolio in Assam, Delhi, Himachal Pradesh, Orissa and West Bengal.

In FY2018, the company reported a loss of Rs. 6.39 crore on a managed asset base of Rs. 327.16 crore compared to a net loss of Rs. 1.46 crore on a managed asset base of Rs. 50.12 crore in FY2017. During 4MFY2019, the company reported a loss of Rs. 2.61 crore on a managed asset base of Rs. 392.03 crore and during Q1FY2019 reported a loss of Rs. 0.93 crore on a managed asset base of Rs. 334.41 crore.

ICRA has a rating outstanding of [ICRA]BBB-(Stable) on the bank lines and NCD programme of Satya MicroCapital Ltd.

Key financial indicators

	FY2017	FY2018
Total income	0.96	25.64
Net interest income	0.42	8.29
Profit before tax	(1.45)	(6.31)
Profit after tax	(1.46)	(6.39)
Total managed portfolio	26.11	218.79
Total managed assets	50.12	327.25
Net worth	8.16	22.51
% Tier 1	25.73%	9.06%
% CRAR	38.82%	16.14%
Gearing	5.6	7.8
% Net profit / average managed assets	-5.67%	-3.39%
% Return on net worth	-30.56%	-41.69%
% Gross NPAs	0.00%	0.00%
% Net NPAs	0.00%	0.00%
Net NPA / net worth	0.00%	0.00%

Source: ICRA research; All values and ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

S. No	Instrument	Type	Current Rating (FY2019)		Date & Rating		Chronology of Rating History for the past 3 years	
			Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Oct-18	Apr-18	Date & Rating in FY2018	
							Oct-17	Jul-17*
1	Vivriti Aleta 001 2017	PTC Series A1	7.00	1.66	[ICRA]A+(SO)	[ICRA]A-(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)
		PTC Series A2	0.44	0.44	[ICRA]A-(SO)	[ICRA]BBB(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)

*Initial Ratings assigned

S. No	Instrument	Type	Current Rating (FY2019)		Date & Rating		Chronology of Rating History for the past 3 years	
			Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Oct-18	Apr-18	Date & Rating in FY2018	
							Jan-18	Sep-17*
2	Missandei IFMR Capital 2017	PTC Series A1	11.09	4.40	[ICRA]A-(SO)	[ICRA]BBB+(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)
		PTC Series A2	0.37	0.37	[ICRA]BBB+(SO)	[ICRA]BBB(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)

*Initial Ratings assigned

S. No	Instrument	Type	Current Rating		Date & Rating		Chronology of Rating History for the past 3 years	
			Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Oct-18	June-18	Date & Rating in FY2019	
							April-18*	Date & Rating in FY2018
3	Northern Arc 2018 MFI Donna	PTC Series A1	13.90	9.21	[ICRA]A+(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-
		PTC Series A2	3.18	2.67	[ICRA]A-(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-
		PTC Series A3	0.99	0.99	[ICRA]BBB(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-

*Initial Ratings assigned

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating			Date & Rating in FY2018
				Oct 2018	Aug 2018	July 2018*	
4 Northern Arc 2018	PTC Series A1	14.68	12.37	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-
MFI Atticus	PTC Series A2	2.94	2.94	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

**Initial Ratings assigned*

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

Annexure-1: Instrument Details

Issue Name	Instrument	Month of Issuance	Coupon Rate	Scheduled Maturity Date [#]	Rated Amount (Rs. crore ⁶)	Current Rating
Vivriti Aleta 001 2017	PTC Series A1	Jun-17	13.00%	May-19	1.66	[ICRA]A+(SO)
	PTC Series A2		16.50%		0.44	[ICRA]A-(SO)
Missandei IFMR Capital 2017	PTC Series A1	Sep-17	12.35%	Jul-19	4.40	[ICRA]A-(SO)
	PTC Series A2		16.50%		0.37	[ICRA]BBB+(SO)
Northern Arc 2018 MFI Donna	PTC Series A1	Mar-18	11.20%	Jan-20	9.21	[ICRA]A+(SO)
	PTC Series A2		13.75%		2.67	[ICRA]A-(SO)
	PTC Series A3		15.75%		0.99	[ICRA]BBB(SO)
Northern Arc 2018 MFI Atticus	PTC Series A1	Jun-18	10.35%	Apr-20	12.37	[ICRA]A(SO)
	PTC Series A2		15.00%		2.94	[ICRA]BBB+(SO)

[#] the actual tenure is likely to be shorter owing to prepayments and accelerated amortisation

⁶ 100 lakh = 1 crore = 10 million

ANALYST CONTACTS

Vibhor Mittal

+91 22 6114 3440

vibhorm@icraindia.com

Abhijeet Ajinkya

+91 22 6114 3434

abhijeet.ajinkya@icraindia.com

Satchit Sawant

+91 22 6114 3435

satchit.sawant@icraindia.com

Arjun Bhatia

+91 22 6114 3449

arjun.bhatia@icraindia.com

Apurva Sharma

+91 22 6114 3452

apurva.sharma@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (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

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 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