March 19, 2025

Keertana Finserv Private Limited: Ratings reaffirmed for PTCs issued under micro enterprise loan receivables securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Mirzam 12 23	Series A1(a) PTCs	25.66	25.66	5.31	[ICRA]A+(SO); Reaffirmed
	Series A1(b) PTCs	2.85	2.85	2.85	[ICRA]A-(SO); Reaffirmed
Twilight 12 2023	Series A1 PTCs	49.99	49.99	7.56	[ICRA]A+(SO); Reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by micro enterprise loan receivables originated by Keertana Finserv Private Limited (KFPL/Originator; rated [ICRA]BBB(Stable). The rating reaffirmation factors in build-up of the credit enhancement cover over the future PTC payouts on account of high amortisation and healthy pool performance. The rating also draw comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pools till the February 2025 payout month.

Pool performance summary

Parameter	Mirzam 12 23	Twilight 12 2023
Payout month	February 2025	February 2025
Months post securitisation	13	13
Pool amortisation	61.7%	73.9%
PTC amortisation		
Series A1(a) PTC / Series A1 PTC	72.6%	84.9%
Series A1(b) PTC	0.0%	NA
Cumulative collection efficiency[1]	95.3%	93.0%
Average monthly prepayment rate	0.1%	0.2%
Loss-cum-30+ days past due (dpd)[2] (% of initial pool)	8.6%	11.6%
Loss-cum-90+ dpd[3] (% of initial pool)	4.0%	7.2%
Cumulative CC utilisation	0.0%	0.0%
Breakeven collection efficiency[4]		
Series A1(a) PTC / Series A1 PTC	27.9%	22.9%
Series A1(b) PTC	50.0%	NA
CC (% of balance pool)	13.1%	32.2%
Principal subordination (% of balance pool)[5]		
Series A1(a) PTC / Series A1 PTC	57.5%	59.6%
Series A1(b) PTC	34.6%	NA
Excess interest spread (EIS; % of balance pool)[6]	6.7%	6.6%

[1] *(Cumulative current and overdue collections till date)/Cumulative billing till date*
[2] *Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, 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 cash flows payable to investor – CC available)/Balance pool cash flows*
[5] *(Pool principal – PTC principal) / Pool principal outstanding*
[6] *(Pool Cash flows – PTC Cash flows – Originator's principal portion) / Pool Principal outstanding*

Transaction structure

Mirzam 12 23

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1(a) and Series A1(b) PTCs on a pari passu basis. Until the June 2025 payout month, the principal is expected to be paid on a monthly basis (100% of the pool principal billed) to Series A1(a) PTCs till its redemption, followed by the expected principal payout to Series A1(b) PTCs. From the July 2025 payout month, the principal is expected to be paid pari passu to Series A1(a) and Series A1(b) PTCs on a monthly basis. The principal for both series of PTCs is promised on the respective final maturity dates. Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Till the June 2025 payout month, any prepayment in the pool would be used for the prepayment of Series A1(a) PTC principal and, post that, on a pari passu basis to Series A1(a) and Series A1(b) PTCs.

If the cumulative collection efficiency in respect of the pool is less than 95% for any two consecutive payouts and/or the portfolio at risk (PAR)90 of the pool exceeds 5% of the initial principal outstanding, the EIS shall be utilised towards the repayment of the principal payout to the Series A1 investors

Twilight 12 2023

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. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

If the 90+ dpd principal outstanding in the pool exceeds 5% of the initial principal outstanding and / or rating downgrades by even a single notch by rating agencies for any instrument/originator, the EIS shall be utilised towards the repayment of the principal payout to the Series A1 investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure –The rating factors in the build-up in the credit enhancement with cash collateral increasing to 13% and 32% of the balance pool principal as compared to 5% and 7% at time of securitisation, for Mirzam 12 23 and Twilight 12 2023 transactions, respectively. Further internal credit support is also available through scheduled EIS and subordination.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency of above 92% for both the pools till February 2024 payout month. The delinquencies in harder bucket have shown an increase in the recent months only. The breakeven collection efficiency is comfortably lower as compared to the monthly collection efficiency observed for both pools. Further, there have been no instances of cash collateral utilisation for the pool owing to strong collection performance and presence of EIS in the transaction.

Adequate servicing capability – The company has adequate processes for servicing the loan accounts in the securitised pools. It has a demonstrated track record of ~4.5 years of regular collections and recovery in the microfinance portfolio. Further, company has been promoted by Ms. Padmaja Reddy, who has vast experience in handling microfinance, gold loans, agriculture and related loans, LAP and MSME loans.

Credit challenges

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make

timely repayments of their loans. The performance of microfinance loans would also be exposed to political and communal risks.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the current fiscal on account of multiple factors like heat wave, general elections, borrower overleveraging and attrition in the collection teams. Any sustained impact of these factors on the collections from the pool would be a key monitorable.

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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.25% and 3.75% for Mirzam 12 23 and Twilight 12 2023 respectively. The average prepayment rate for both the underlying pools is modelled in the range of 3.0% to 9.0% 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.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Mirzam 12 23	Twilight 12 2023
Originator	Keertana Finserv Private Limited	Keertana Finserv Private Limited
Servicer	Keertana Finserv Private Limited	Keertana Finserv Private Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	ESAF Small Finance Bank Limited	ESAF Small Finance Bank Limited
Collection and payout account bank	ICICI Bank Limited	ICICI Bank Limited

Liquidity position:

For Mirzam 12 23: Series A1(a) PTC: Superior

The liquidity for Series A1(a) PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 6.75 times the estimated loss in the pool.

For Mirzam 12 23: Series A1(b) PTC: Strong

The liquidity for Series A1(b) PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 4.75 times the estimated loss in the pool.

For Twilight 12 2023: Series A1 PTC: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 6.50 times the estimated loss in the pool

Rating sensitivities

Positive factors – The rating could be upgraded when CC is fully covering the balance PTC payouts to the investors.

Negative factors – The sustained weak collection performance of the underlying pool of contracts, 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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till January 2025 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Keertana Finserv Private Limited (Keertana/KFPL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Key financial indicators

Keertana Finserv Private Limited	FY2023	FY2024	9MFY2025*
Total income	91.8	276.8	363.3
Profit after tax	16.0	71.6	78.1
Assets Under Management	700.6	1,718.1	2,495.6
Gross stage 3	0.0%	0.0%	0.3%
CRAR	26.0%	23.7%	26.2%

*Source: Company, ICRA Research; Amount in Rs. crore; *provisional*

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	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Mar 19, 2025	Mar 19, 2024	Jan 04,2024	-	-
1	Mirzam 12 23	Series A1(a) PTCs	25.66	5.31	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+ (SO)	-	-
		Series A1(b) PTCs	2.85	2.85	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-	-	-

		(SO)

S. No.	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Mar 19, 2025	Mar 19, 2024	Jan 04,2024	-	-
2	**Twilight 12 2023**	Series A1 PTCs	49.99	7.56	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+ (SO)	-	-

Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Mirzam 12 23	**Series A1(a) PTCs**	Moderately Complex
	Series A1(b) PTCs	Moderately Complex
Twilight 12 2023	**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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Mirzam 12 23	Series A1(a) PTC	December 27, 2023	13.10%	September 09, 2025	5.31	[ICRA]A+(SO)
	Series A1(b) PTC	December 27, 2023	14.60%	September 10, 2025	2.85	[ICRA]A-(SO)
Twilight 12 2023	Series A1 PTCs	December 29, 2023	12.50%	September 17, 2025	7.56	[ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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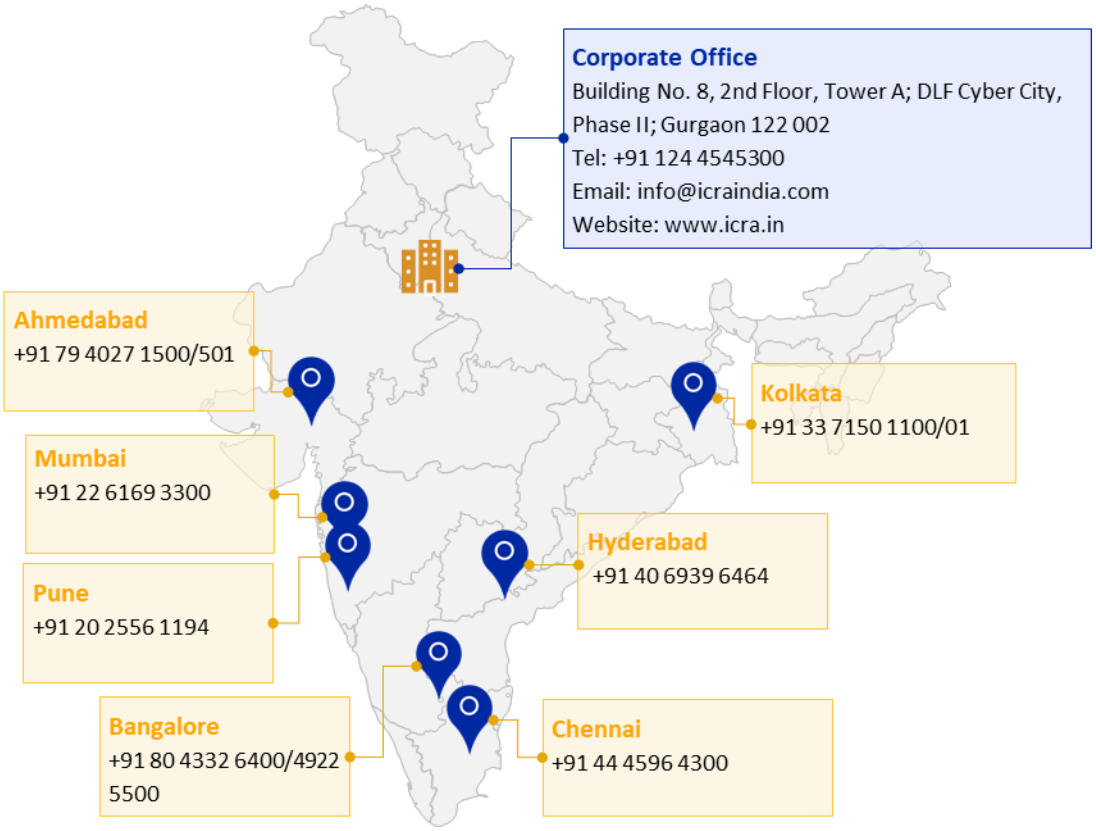

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