

April 29, 2024

Satin Creditcare Network Limited: Rating actions on PTCs issued under two microfinance loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
SAINT BEN 2022	Series A1(a) PTC	27.69	NA	0.00	[ICRA]AA-(SO); withdrawn
	Series A1(b) PTC	2.60	NA	1.51	[ICRA]AAA(SO); upgraded from [ICRA]A-(SO)
Tulip 2023	Series A1 PTC	28.99	NA	9.76	[ICRA]A+(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the rating for the pass-through certificates (PTCs) issued under the securitisation transaction – SAINT BEN 2022, and reaffirmed the rating for the PTCs issued under the securitisation transaction – Tulip 2023. Both transactions are backed by pools of microfinance loan receivables originated by Satin Creditcare Network Limited (Satin; rated [ICRA]A (Stable)/[ICRA]A1). The underlying pools have exhibited sustained healthy collections and low delinquencies. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in both pools. The rating upgrade for SAINT BEN 2022 Series A1(b) PTC is on account of the significant amortisation in the pool, which has led to the cash collateral (CC) covering the entire future PTC payouts.

ICRA has also withdrawn the rating outstanding on the Series A1(a) PTC of the SAINT BEN 2022 transaction. All the payouts to the investors in this instrument have been made and no further payments are due to them. The key rating drivers, liquidity position and rating sensitivities have not been captured as the rating assigned to the instrument has been withdrawn. The previous detailed rating rationale is available at the following link: [Click Here](#)

A summary of the performance of the pools for the live transactions till the latest collection month has been tabulated below.

Pool performance summary

Particulars	SAINT BEN 2022	Tulip 2023
Collection month	March 2024	February 2024
Payout month	April 2024	March 2024
Months post securitisation	16	9
Pool amortisation	83.15%	53.22%
Series A1(b)/A1 PTC amortisation	41.92%	66.33%
Cumulative collection efficiency ¹	98.23%	98.11%
Loss-cum-30+ dpd ² (% of initial pool)	0.77%	2.03%
Loss-cum-90+ dpd ³ (% of initial pool)	0.48%	1.39%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Cumulative prepayment rate	23.76%	14.02%

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 overdue by more than 30 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

Particulars	SAINT BEN 2022	Tulip 2023
Breakeven collection efficiency ⁴ for Series A1 PTC	NM	46.73%
CC (% of balance pool)	29.67%	14.96%
Principal subordination (% of balance pool) for Series A1(b)/A1 PTC	74.18%	35.24%
Excess interest spread (EIS ⁵ ; % of balance pool) for Series A1(b)/A1 PTC	4.21%	8.65%

Reset of CE

At Satin's request for resetting the credit enhancement (CE) for the Tulip 2023 transaction, ICRA has analysed the transaction basis the CC mentioned in the table provided below.

Particulars	Tulip 2023
Current CC outstanding (% of balance pool)	2.26 (14.96%)
CC required as per ICRA for maintaining the present rating (% of balance pool)	0.68 (4.49%)

Amount in Rs. crore

Based on the pool's performance, the rating for the transaction will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount required by ICRA.

Credit strengths

- For SAINT BEN 2022 – Significant amortisation of the pool with no CC utilisation, resulting in the CC covering the entire future PTC payouts
 - For Tulip 2023 – High amortisation of PTCs, resulting in build-up of CE cover available for the balance PTC payouts
 - Healthy collections and low delinquencies observed in the pool

Credit challenges

- Performance of the pools would remain exposed to natural calamities that may impact the income-generating capability of the borrower, given the marginal borrower profile; further, pools' performance would be exposed to political and communal risks
- Performance of the pools would remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

The performance of the pools has been healthy with a cumulative collection efficiency of more than 98% as of the latest payout month with loss-cum-30+ days past due (dpd) below 2.5%. There has been no CC utilisation in any of the transactions till date. Healthy collections and high pool amortisation have led to significant build-up of the CE in the pools and the breakeven collection efficiency for the pools is much lower than the collection levels observed. The average monthly prepayment rate for the pools is moderate in the range of 1.0-1.7%. For the SAINT BEN 2022 transaction, the CC is covering the entire future PTC payouts. For Tulip 2023, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the rating with respect to the current rating level for the transaction. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

The pools' performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, the performance would also be exposed to natural calamities and political and communal risks.

⁴ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁵ (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

Past rated pools’ performance: ICRA has live ratings on 20 securitisation transactions backed by microfinance loan receivables for Satin. The live pools, which have completed at least three payouts, reported healthy collections with nil CC utilisation up to the March 2024 payouts.

Key rating assumptions

ICRA’s cash flow modelling for rating asset-backed securitisation transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation are arrived at after taking into account the performance of the originator’s portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the Tulip 2023 pool is estimated at 2.75-3.75% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 3.0-9.0% (with a mean of 6.0%) per annum.

Liquidity position: Superior

For SAINT BEN 2022: The CC available covers the future PTC investor payouts.

For Tulip 2023: The liquidity for the PTC instruments is superior after factoring in the CE available to meet the promised payouts to the investors. The total CE would be 8.3 times the estimated loss.

Rating sensitivities

Positive factors

For SAINT BEN 2022: Not applicable.

For Tulip 2023: The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the CE would result in a rating upgrade.

Negative factors

For SAINT BEN 2022: The rating is unlikely to be downgraded as the CC covers the future PTC payouts.

For Tulip 2023: The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE 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 actions are based on the performance of the pools till February 2024/March 2024 (collection month), the present delinquency levels and the CE available in the pools, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions ICRA's Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Satin, which was set up in 1990 to provide individual business loans to urban shopkeepers, started providing group lending services to the rural poor in 2008. It was registered with the Reserve Bank of India (RBI) as a deposit-taking non-banking financial company (NBFC) under the name, Satin Leasing and Finance Company Limited. Following its conversion into a public limited company in 1994, it was renamed Satin Creditcare Network Limited in 2000. It stopped accepting public deposits from November 2004 and the RBI changed its classification to Category B (non-deposit taking) from Category A (deposit taking) in February 2009 and converted it into an NBFC-microfinance institution in November 2013. The company's microfinance operations are based on the Grameen Bank joint liability group model and were spread across 1,165 branches in the country, as on December 31, 2023, on a standalone basis and 1,386 branches for the Group on a consolidated basis.

As on December 31, 2023, the company's consolidated assets under management stood at Rs. 10,408 crore. On a consolidated basis, it reported a net profit of Rs. 308 crore in 9M FY2024 (total comprehensive income (TCI) of Rs. 307 crore) against Rs. 5 crore in FY2023 (TCI of negative Rs. 16 crore).

Key financial indicators

Consolidated	FY2022	FY2023	9M FY2024
	Audited	Audited	Audited
Total income	1,381	1,559	1,594
Profit after tax	21	5	308
Gross loan portfolio	7,617	9,115	10,408
Gross stage 3	7.5%	3.1%	2.4%
CRAR*	27.8%	26.6%	28.7%

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

*On standalone basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					Apr 29, 2024	Apr 27, 2023	Jan 06, 2023	-
1	SAINT BEN 2022	Series A1(a) PTC	27.69	0.00	[ICRA]AA-(SO); Withdrawn	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-
		Series A1(b) PTC	2.60	1.51	[ICRA]AAA(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years						
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025			Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Apr 29, 2024	Aug 18, 2023	Jun 06, 2023	-	-		
2	Tulip 2023	Series A1 PTC	28.99	9.76	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-		

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
SAINT BEN 2022	Series A1(a) PTC	Moderately Complex
	Series A1(b) PTC	Moderately Complex
Tulip 2023	Series A1 PTC	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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
SAINT BEN 2022	Series A1(a) PTC	December 2022	12.09%	September 2024	0.00	[ICRA]AA-(SO); Withdrawn
	Series A1(b) PTC		14.00%		1.51	[ICRA]AAA(SO)
Tulip 2023	Series A1 PTC	May 2023	12.10%	February 2025	9.76	[ICRA]A+(SO)

* Scheduled PTC maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Alwin Thankachan

+91 22 6114 3411

alwin.thankachan@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivkumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (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



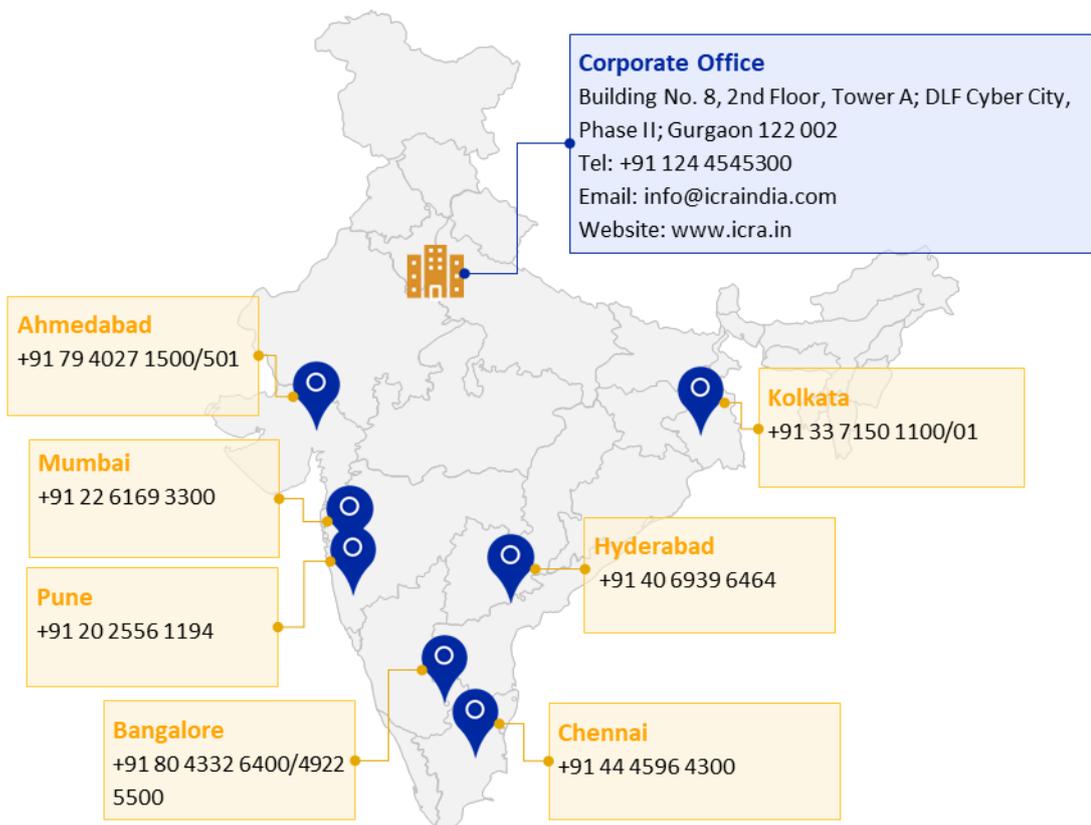
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 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.