

January 08, 2025

**Keertana Finserv Private Limited: Provisional [ICRA]A+(SO) assigned to Series A1(a) PTCs and Provisional [ICRA]A(SO) assigned to Series A1(b) PTCs backed by microenterprise loan receivables issued by Comet 12 2024**

**Summary of rating action**

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Comet 12 2024	Series A1(a) PTCs	21.92	Provisional [ICRA]A+(SO); assigned
	Series A1(b) PTCs	2.83	Provisional [ICRA]A(SO); assigned

\*Instrument details are provided in Annexure I

**Rating in the absence of pending actions/documents** | **No rating would have been assigned as it would not be meaningful**

**Rationale**

The pass-through certificates (PTCs) are backed by a pool of microenterprise loan receivables originated by Keertana Finserv Private Limited {Keertana/Originator; rated [ICRA]BBB (Stable)} with an aggregate principal outstanding of Rs. 28.29 crore (pool receivables of Rs. 34.38 crore). Keertana would be the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

**Transaction structure**

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 March 2026 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 April 2026 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 January 2026 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 current 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.

The credit enhancement available in the structure is in the form of (i) a CC (Cash collateral) of 5.00% of the initial pool principal, amounting to Rs. 1.41 crore, provided by the Originator, (ii) subordination of 22.50% of the initial pool principal for Series A1(a) PTCs and 12.50% for Series A1(b) PTCs, and (iii) the EIS of 13.82% of the initial pool principal for Series A1(a) and Series A1(b) PTCs.

## Key rating drivers and their description

### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 9,325 contracts, with no contract exceeding 0.1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

**Seasoned contracts in the pool** – The pool had moderate amortisation of ~18% as on the cut-off date. This reflects the borrowers' better credit profile, repayment track record and buildup of borrower equity.

**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 recoveries in the microfinance portfolio. Further, the company has been promoted by Ms. Padmaja Reddy, who has vast experience in handling microfinance, gold loans, agriculture and related loans, loan against property (LAP) and micro, small and medium enterprise (MSME) loans.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with the top state, viz. Andhra Pradesh, contributing ~82% to the initial pool principal amount. The concentration remains high even at the district level with the top 5 districts accounting for ~46% of the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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

**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.

### 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 based on 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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.00% with certain variability around it. The average prepayment rate for the underlying pool 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 ratings for the instruments.

## Liquidity position

### For Series A1(a) PTCs: Superior

The liquidity for Series A1(a) PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7.25 times the estimated loss in the pool.

### For Series A1(b) PTCs: Strong

The liquidity for Series A1(b) PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – 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 credit enhancement would result in a rating upgrade.

**Negative factors** – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), 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 ratings.

## Analytical approach

The rating action is based on the analysis of the performance of Keertana’s portfolio till September 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant’s know your customer (KYC) certificate
6. Any other documents executed for the transaction

## Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

Keertana Finserv Private Limited (Keertana) is a non-deposit taking non-banking financial company (NBFC). It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the Reserve Bank of India (RBI). The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following RBI approval 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-microfinance institution (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.

Keertana's assets under management (AUM) stood at Rs. 2,001 crore through 320 branches as of September 2024. Gold loans contributed 52% to the AUM while joint liability group (JLG), LAP and MSME accounted for the remaining 48% as of September 2024. Keertana reported a provisional net profit of Rs. 60 crore on a managed asset base of Rs. 2,475 crore in H1 FY2025 compared with a net profit of Rs. 72 crore on a managed asset base of Rs. 1,718 crore in FY2024.

## Key financial indicators

Keertana (standalone)	Ind-AS	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2023	FY2024	H1 FY2025
<b>Total income</b>	91.8	276.8	238.9
<b>Profit after tax</b>	16.0	71.6	60.0
<b>Total managed assets</b>	700.6	1,718.1	2,475.9
<b>Gross stage 3</b>	0.0%	0.0%	0.0%
<b>CRAR</b>	26.0%	23.7%	26.5%

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

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for past three years

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Jan 08, 2025			
<b>Comet 12 2024</b>	Series A1(a) PTCs	21.92	21.92	<b>Provisional [ICRA]A+(SO)</b>	-	-	-
	Series A1(b) PTCs	2.83	2.83	<b>Provisional [ICRA]A(SO)</b>	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
<b>Series A1(a) PTCs</b>	Moderately Complex
<b>Series A1(b) PTCs</b>	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>Comet 12 2024</b>	Series A1(a) PTCs	December 31, 2024	12.50%	August 09, 2026	21.92	Provisional [ICRA]A+(SO)
	Series A1(b) PTCs	December 31, 2024	13.14%	August 10, 2026	2.83	Provisional [ICRA]A(SO)

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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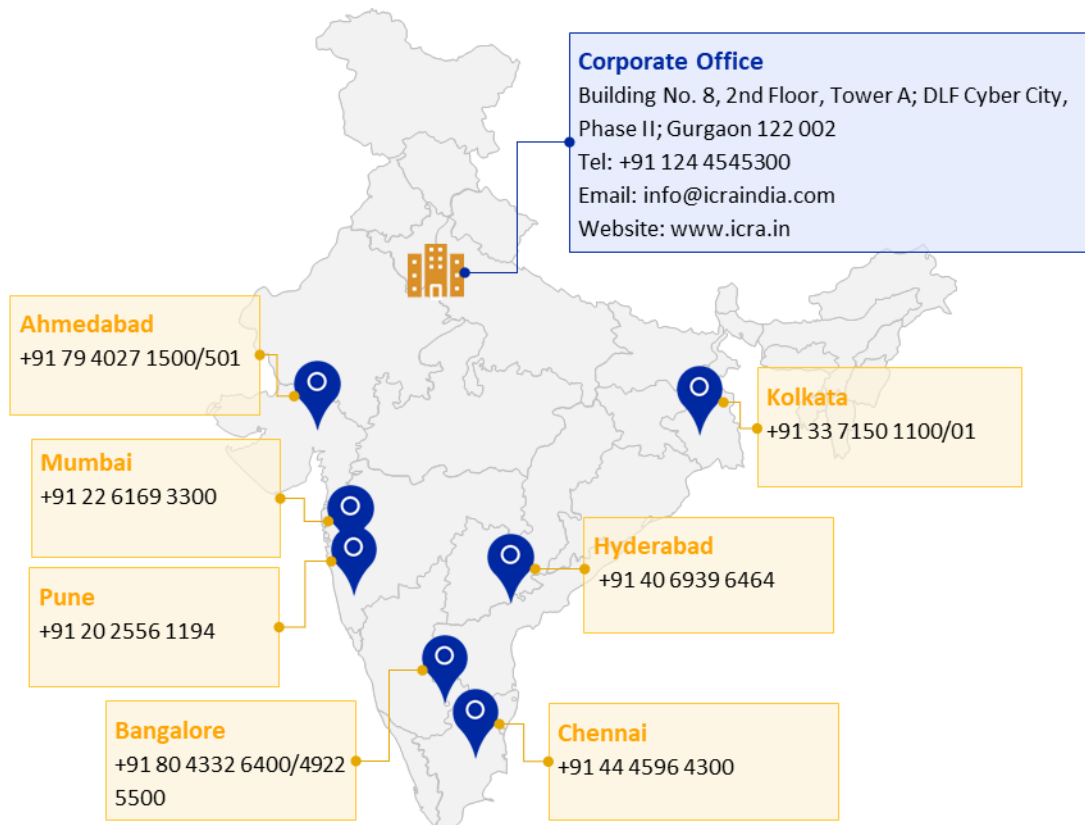
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