

June 06, 2022

## Satin Creditcare Network Ltd.: Provisional [ICRA]A(SO) assigned to PTC Series A1 and Provisional [ICRA]A-(SO) assigned to PTC Series A2 backed by microfinance loan receivables issued by KiPlatform M22 – 008

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
KiPlatform M22 – 008	PTC Series A1	59.83	Provisional [ICRA]A(SO); Assigned
	PTC Series A2	1.84	Provisional [ICRA]A-(SO); Assigned

\*Instrument details are provided in Annexure-1

Rating in the absence of the pending actions/documents

No rating would have been assigned as it would not be meaningful

### Rationale

ICRA has assigned Provisional [ICRA]A(SO) and Provisional [ICRA]A-(SO) ratings to PTC Series A1 and PTC Series A2, respectively, originated by Satin Creditcare Network Ltd. {Satin; rated [ICRA]A- (Negative)}. The PTCs are backed by a pool of Rs. 77.05-crore microfinance loan receivables (underlying pool principal of Rs. 67.03 crore).

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the form of (i) a cash collateral (CC) of 12.00% of the pool principal to be provided by Satin (originator), (ii) subordination/over-collateralisation of 10.75% of the pool principal for PTC Series A1 and 8% of the pool principal for PTC Series A2, and (iii) the entire excess interest spread (EIS) 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 the review of the documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of EIS, over-collateralisation/subordination and CC
- Pool has no overdue contracts as on the cut-off date
- Moderate seasoning (average at 8 months) and amortisation (34% pre-securitisation) profile

#### Credit challenges

- High geographical concentration with top three state contributing ~66% of the initial pool principal amount
- Pool performance will remain exposed to any fresh disruptions that may arise due to the Covid-19 pandemic
- Performance of the pool would also remain exposed to natural calamities that may impact the income-generating capability of the borrower, given the marginal borrower profile; further, pool's performance would be exposed to political and communal risks

### Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC investors. The collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal

payouts to PTC Series A1, followed by the expected interest payout to PTC Series A2. The residual cash flows available after meeting the promised and scheduled payments will be utilised for the payment of the PTC Series A1 principal. Post the maturity of PTC Series A1, interest payouts will be promised to PTC Series A2 and residual cash flows, after meeting the promised interest PTC Series A2 payouts, will be utilised for the payment of the PTC Series A2 principal. The entire principal repayment to PTC Series A1 and PTC Series A2 is promised on the scheduled maturity date and PTC Series A2 is subordinate to PTC Series A1.

The first line of support for PTC Series A1 in the transaction is in the form of a subordination/over-collateralisation of 10.75% of the pool principal (includes the principal payable to PTC Series A2). After PTC Series A1 has been fully paid, over-collateralisation of 8% of the pool principal could be available for PTC Series A2. Further credit support is available in the form of an EIS. A CC of 12.00% of the initial pool principal (Rs. 8.04 crore), to be provided by Satin, would act as further credit enhancement in the transaction. The CC will be in the form of a fixed deposit maintained with a bank acceptable to ICRA. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the shortfall.

There are no overdues in the pool as on the cut-off date. The pre-securitisation amortisation is moderate at 34% as on the cut-off date. The pool has high geographical concentration with the top 3 states (Uttar Pradesh, Odisha and Maharashtra) contributing 66.0% to the initial pool principal amount. At the district level, the top 5 districts account for 30.5% of the initial pool principal amount. The performance of the pool would be exposed to political and communal risks and natural calamities that may impact the income-generating capability of the borrower. Also, it would remain exposed to any fresh disruptions that may arise due to the pandemic.

## Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) 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 (CoV) 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 pool is estimated at 4.5-5.5% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 6.0-9.0% per annum.

## Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 holders on a monthly basis while the entire principal amount is promised on the final maturity date of the transaction. After PTC Series A1 is fully paid, the interest amount is promised to the PTC Series A2 holders on a monthly basis and the entire principal amount is promised on the final maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to the PTC investors.

## 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 (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade.

### Analytical approach

The rating action is based on the analysis of the performance of Satin’s portfolio till March 2022, 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 final 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 company

Satin Creditcare Network Ltd., 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. The company 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. The company converted into a public limited company in 1994, and subsequently was rechristened as Satin Creditcare Network Ltd. in 2000. Satin 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 2005 and converted it into an NBFC-microfinance institution (NBFC-MFI) in November 2013. The company’s microfinance operations are based on the Grameen Bank joint liability group (JLG) model and it had 1,028 branches spread across the country as on December 31, 2021.

Satin is listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE). As on December 31, 2021, the company’s standalone assets under management (AUM) was Rs. 6,123 crore and consolidated AUM was Rs. 7,218

crore. On a standalone basis, Satin reported a net loss of Rs. 19 crore in 9M FY2022 against a net loss of Rs. 14 crore in FY2021. On a consolidated basis, the company reported net loss of Rs 36 crore in 9M FY2022 against a net loss of Rs. 14 crore in FY2021.

### Key financial indicators (consolidated; audited)

Satin Creditcare Network Ltd.	FY2020	FY2021	9M FY2022*
Total income (Rs. crore)	1,503	1,374	1,017
Profit after tax (Rs. crore)	155	(14)	(36)
Gross AUM (Rs. crore)	8,174	8,380	7,218
Gross stage 3 (%)^	3.3%	8.4%	8.6%
Net stage 3 (%)^	1.9%	4.7%	2.7%

**Source:** Source: Company, ICRA Research; \* Limited review numbers and ratios might change subject to notes to accounts

All ratios and values are as per ICRA's calculations; ^ Gross stage 3 and Net stage 3 are on standalone basis; Net stage 3 (%) = Net stage 3 / Gross loan book

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

Any other information: None

### Rating history for past three years

	Trust Name	Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years			
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
1	KiPlatform M22 – 008	PTC Series A1	59.83	59.83	June 06, 2022 Provisional [ICRA]A(SO)	-	-	-
		PTC Series A2	1.84	1.84	Provisional [ICRA]A-(SO)			

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex
PTC Series A2	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: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
KiPlatform M22 – 008	PTC Series A1	May 2022	9.65%	April 2024	59.83	Provisional [ICRA]A(SO)
	PTC Series A2	May 2022	13.00%	April 2024	1.84	Provisional [ICRA]A-(SO)

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

Source: Company

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Samriddhi Chowdhary**

+91 22 6114 3400

[samriddhi.chowdhary@icraindia.com](mailto:samriddhi.chowdhary@icraindia.com)

**Sushant Vanmali**

+91 22 6114 3431

[sushant.vanmali@icraindia.com](mailto:sushant.vanmali@icraindia.com)

**Alwin Thankachan**

+91 22 6114 3411

[alwin.thankachan@icraindia.com](mailto:alwin.thankachan@icraindia.com)

**Sohil Mehta**

+91 22 6114 3449

[sohil.mehta@icraindia.com](mailto:sohil.mehta@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jyantac@icraindia.com](mailto:jyantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



### Branches



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