August 30, 2022

Satin Creditcare Network Ltd.: Rating confirmed as final for PTCs 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	[ICRA]A(SO); provisional rating confirmed as final
	PTC Series A2	1.84	[ICRA]A-(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure-1*

Rationale

In June 2022, ICRA had assigned Provisional [ICRA]A(SO) and Provisional [ICRA]A-(SO) ratings to PTC Series A1 and PTC Series A2, respectively, issued by KiPlatform M22 – 008. The pass-through certificates (PTCs) are backed by a pool of Rs. 77.05-crore microfinance loan receivables (underlying pool principal of Rs. 67.03 crore) originated by Satin Creditcare Network Ltd. {Satin; rated [ICRA]A- (Negative)}. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final. A summary of the pool's performance after the July 2022 payout is shown in the table below.

Parameter	KiPlatform M22-008
Months post securitisation	2
Pool amortisation	9.86%
PTC Series A1 amortisation	12.34%
PTC Series A2 amortisation	0.00%
Cumulative Prepayment rate	1.48%
Cumulative collection efficiency	106.07%
Loss-cum-0+ dpd	0.60%
Loss cum 30+ dpd	0.10%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral (CC) utilisation	0.00%

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 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.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	[Rating Methodology for Securitisation Transactions](#)
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

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 were spread across 1,031 branches in the country as on June 30, 2022 on standalone basis and 1,224 branches for group as a whole.

Satin is listed on the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange (BSE) and Calcutta Stock Exchange. As on June 30, 2022, the company's consolidated managed portfolio stood at Rs. 7,569 crore. It reported a net loss of Rs. 210 crore in Q1 FY2023 against a net loss of Rs. 21 crore in FY2022 on consolidated level.

Key financial indicators

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, Net stage 3, solvency and CRAR ratios are on standalone basis

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
					August 30, 2022	June 06, 2022	-	-	-
1	KiPlatform M22 – 008	PTC Series A1	59.83	59.83	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-
		PTC Series A2	1.84	1.84	[ICRA]A-(SO)	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

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	[ICRA]A(SO)
	PTC Series A2	May 2022	13.00%	April 2024	1.84	[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

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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

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