

October 14, 2022

Vaya Finserv Private Limited: Rating confirmed as final for PTCs backed by micro loan receivables

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 MFI Auriga	PTC Series A1	33.85	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-1

Rationale

In July 2022, ICRA had assigned Provisional [ICRA]A(SO) rating to pass-through certificate (PTCs) Series A1 issued by Catalyst Trusteeship Limited (CTL). The PTCs are backed by loan receivables of a Rs. 45.64 crore pool (underlying pool principal of Rs. 39.94 crore) of micro finance loan contracts originated by Vaya Finserv Private Limited (Vaya; rated [ICRA]BBB(Stable)). Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool performance post September 2022 payout is shown in the table below:

Parameter	Nimbus 2022 MFI Auriga
Months post securitisation	3
Pool amortisation	18.96%
PTC amortisation	22.67%
Average monthly prepayment rate %	0.14%
Cumulative collection efficiency	100.66%
Loss cum 0+ dpd	0.67%
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 Excess Interest Spread, overcollateralization (subordination) and cash collateral
- No overdue contracts in the pool as on the cut-off date

Credit challenges

- High geographical concentration with 3 top state contributing to ~ 94% of the initial pool principal amount.
- Performance of the pool would be exposed to any disruptions that may arise due to the Covid-19 pandemic.
- Performance of 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 performance would also be exposed to political and communal risks.

Description of key rating drivers highlighted above

The first line of support for PTC Series A1 in the transaction is in the form of an over-collateralisation (subordination) of 15.25%

of the pool principal. Further credit support is available in the form of an EIS of 9.87% for PTC Series A1. A CC of 5.00% of the initial pool principal, to be provided by Vaya, would act as further CE in the transaction. 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.

As per the transaction structure, 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. The entire principal repayment to PTC Series A1 is promised on the scheduled maturity date. The EIS available after meeting the scheduled PTC payments shall flow back to the originator on every payout date subject to the predefined triggers.

There are no overdues in the pool as on the cut-off date. The pool has high geographical concentration with the top 3 states contributing ~94% to the initial pool principal amount. At the district level, the top 5 districts account for ~27% of the initial pool principal amount. The performance of the pool would be exposed to political and communal risks as well as natural calamities that may impact the income-generating capability of the borrower. Also, it would remain exposed to any disruptions that may arise due to the pandemic.

Performance of past rated pools: ICRA has rated 10 microfinance loan receivable PTC transactions originated by Vaya in the past. Out of which 5 are live as on date while the ratings for the other transactions have been withdrawn. The live pools (which have completed atleast 3 payouts) have displayed strong collections with a cumulative collection efficiency of more than 99% and there has been nil CC utilisation in the transactions as of the September 2022 payout.

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 balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering the past performance of the originator's portfolio and the rated pools, as well as the performance and 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 4.0-5.0%, 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 principal amount is promised on the scheduled 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 PTC Series A1 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 ratings 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 ratings 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	
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Vaya Finserv Private Limited, incorporated in March 2014, is a non-banking financial company – microfinance institution (NBFCMFI) with its registered office in Hyderabad. The company provides microloans under the joint liability group (JLG) model along with credit-linked insurance. Vaya also operates as a business correspondent for RBL Bank and Yes Bank (now discontinued). Its loans qualify for priority sector lending for banks. As on March 31, 2022, the company reported assets under management (AUM) of Rs. 1,202 crore with a presence in 7 states and 91 districts, catering to 4.8 lakh active borrowers through a network of 266 branches.

Key financial indicators

Vaya	FY2020	FY2021	FY2022
Total Income (Rs. crore)	193	201	217
Profit after tax (Rs. crore)	7	10	13
Total managed assets (Rs. crore)	1,386	1,452	1,588
Gross NPA (%)	0.9%	2.8%	3.1%
Net NPA (%)	0.3%	1.6%	1.1%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust	Current Rating (FY2023)			Chronology of Rating History for the past 3 years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					October 14, 2022	July 01, 2022	-	-
1	Nimbus 2022 MFI Auriga	PTC Series A1	33.85	33.85	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex

* Backed by credit enhancement

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 Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Nimbus 2022 MFI Auriga	PTC Series A1	July 2022	9.60%	November 2023	33.85	[ICRA]A(SO)

**Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool*

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.

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