December 08, 2022

Satin Creditcare Network Ltd.: Ratings confirmed as final for PTCs backed by microfinance loan receivables issued by Nimbus 2022 MFI Togliatti

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 MFI Togliatti	PTC Series A1	66.19	[ICRA]AA(SO); provisional rating confirmed as final
	PTC Series A2	2.36	[ICRA]A+(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In October 2022, ICRA had assigned Provisional [ICRA]AA(SO) rating to Pass-Through Certificate (PTC) Series A1 and Provisional [ICRA]A+(SO) rating to PTC Series A2 issued by Nimbus 2022 MFI Togliatti. The PTCs are backed by receivables from a Rs. 96.49-crore (pool principal amount of Rs. 78.80 crore) pool of microfinance loan receivables originated by Satin Creditcare Network Ltd. (Satin/Originator; rated [ICRA]A-(Negative)/[ICRA]A1). 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 performance after the November 2022 payouts is shown in the table below:

Parameter	Nimbus 2022 MFI Togliatti
Months post securitisation	2
Pool amortisation	10.77%
PTC Series A1 amortisation	15.78%
Cumulative collection efficiency	99.79%
Cumulative prepayment rate	2.58%
Loss-cum 0+ days past due (dpd)	0.29%
Loss cum 30+ dpd	0.11%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS), principal subordination and cash collateral (CC)
- No overdue contracts as on the cut-off date
- Moderate seasoning (average at ~6 months) and amortisation (~25% pre-securitisation) profile as on the cut-off date

- One of the largest players in microfinance industry with established track record

Credit challenges

- High geographical concentration with top 3 states contributing around 73% of the pool principal as on the cut-off date
- Exposed to inherent credit risk in the asset class, given the unsecured nature of the product and the marginal borrower profile; performance of the pool would remain exposed to macro-economic shocks/business disruptions/natural calamities that may impact the income-generating capability of the borrower

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 (to the extent of 99% of the monthly pool principal billed), followed by the expected interest payouts to PTC Series A2 and the expected principal payouts to PTC Series A2 (to the extent of 1% of the monthly pool principal billed). Post the maturity of PTC Series A1, interest payouts will be promised to PTC Series A2 and excess cash flows, after meeting the promised PTC Series A2 interest payouts, will be passed on for the expected PTC Series A2 principal payout (to the extent of monthly pool principal billed). The entire principal repayment to PTC Series A1 and PTC Series A2 is promised on the scheduled maturity date. The residual cash flows from the pool would be used for the payment of the PTC Series A1 principal; no residual cash flow will be paid to the residual beneficiary until the payment of PTC Series A1 in full. The residual cash flows, after making the promised and expected payouts, would be used for the prepayment of PTC Series A2. Hence the actual tenure of the PTCs is expected to be shorter owing to such acceleration.

The first line of support for PTC Series A1 in the transaction is in the form of a principal subordination of 16.00% of the pool principal (includes the principal payable to PTC Series A2). After PTC Series A1 has been fully paid, over-collateralisation of 13.00% 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 8.50% of the initial pool principal (Rs. 6.70 crore), provided by Satin, acts as further credit enhancement 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.

There were no overdues in the pool as on the cut-off date. The pool had moderate pre-securitisation amortisation at 25% as on the cut-off date. Geographical concentration was high with the top 3 states (Uttar Pradesh, Punjab and Bihar) contributing 73% to the initial pool principal amount. At the district level, the top 5 districts accounted for 20% of the initial pool principal amount. The company had witnessed an increase in the delinquencies at the portfolio level following the onset of the Covid-19 pandemic, which has now started to moderate. The pool's performance would remain exposed to the inherent credit risk in the asset class. Furthermore, macroeconomic shocks/business disruptions/natural calamities that may impact the income-generating capability of the borrower could have a bearing on the performance, given the marginal borrower profile.

Past rated pools: ICRA has rated 12 securitisation transactions backed by micro loan receivables for Satin. The live pools have reported satisfactory collections with nil CC utilisation up to the November 2022 payouts.

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 4.75-5.75% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 2.4-9.0% (with a mean of 6.0%) 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 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 Originator

Satin Creditcare Network Ltd. (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, the company was renamed Satin Creditcare Network Ltd. in 2000. It stopped accepting public deposits from November 2004 and the RBI changed its classification to Category B (nondeposit taking) from Category A (deposit taking) in February 2009 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 1,039 branches in the country, as on September 30, 2022, on a standalone basis and 1,237 branches for the 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 September 30, 2022, the company's consolidated managed portfolio stood at Rs. 7,575 crore. It reported a net loss of Rs. 153 crore in H1 FY2023 against a net profit of Rs. 21 crore in FY2022 at the consolidated level.

Key financial indicators

	FY2021	FY2022	H1 FY2023*
Total income	1,374	1,381	706
Profit after tax	(14)	21	(153)
Gross loan portfolio	8,379	7,617	7,575
Gross stage 3	8.4%	8.0%	3.9%
Net stage 3	4.7%	2.4%	1.9%

*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; Net stage 3 (%) = Net stage 3 / Gross loan book; Gross and net stage 3 ratios are on standalone basis*
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 (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
					Dec 08, 2022	Oct 04, 2022	-	-	-
1	Nimbus 2022 MFI Togliatti	PTC Series A1	66.19	66.19	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-
		PTC Series A2	2.36	2.36	[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: Click Here

Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 MFI Togliatti	PTC Series A1	September 2022	10.00%	June 2024	66.19	[ICRA]AA(SO)
	PTC Series A2		13.50%		2.36	[ICRA]A+(SO)

**Scheduled maturity date at transaction initiation; may change on account of prepayments*
***Source:** Company*

Annexure II: 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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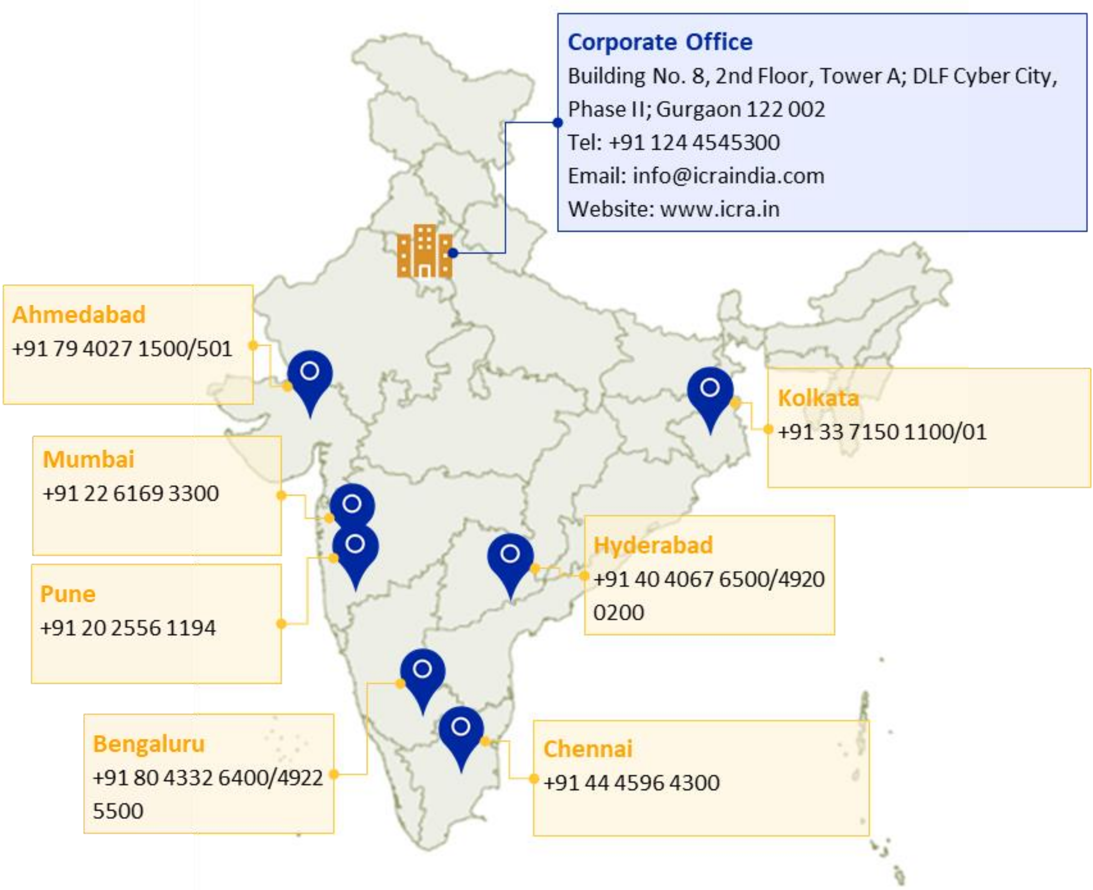

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