December 14, 2022

NeoGrowth Credit Private Limited: Rating confirmed as final for PTCs backed by MSME loan receivables issued by Libra Trust August 2022

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Libra Trust August 2022	PTC Series A1	36.88	[ICRA]A(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure-I*

Rationale

In September 2022, ICRA had assigned a Provisional [ICRA]A(SO) rating to PTC Series A1 issued by Libra Trust August 2022. The pass-through certificates (PTCs) are backed by a pool of Rs. 49.67-crore MSME loan receivables (underlying pool principal of Rs. 41.44 crore) originated by NeoGrowth Credit Private Limited (NCPL/Originator; rated [ICRA]BBB (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 performance of the pool after the November 2022 payout month has been provided below:

Parameter	Libra Trust August 2022
Months post securitisation	2
Pool amortisation	30.57%
PTC Series A1 amortisation	40.62%
Cumulative collection efficiency	95.45%
Average monthly prepayment rate	3.76%
Loss-cum-0+ dpd	5.73%
Loss cum 30+ dpd	1.86%
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 (EIS), subordination and cash collateral (CC)
- Absence of overdue contracts as on pool cut-off date
- Moderate average seasoning and pre-securitisation of the pool as on the pool cut-off date

Credit challenges

- Higher geographical concentration in the pool with top 3 states accounting for ~ 67% of the initial pool principal

Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any **Description of key rating drivers highlighted above**

According to the transaction structure, the loan pool receivables have been assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A1 on a monthly basis comprises of interest at the predetermined yield on the outstanding PTC principal on each pay-out date and the entire principal on the final maturity date.

The first line of support for PTC Series A1 in the transaction is in the form of a subordination of 11.00% of the pool principal. Additionally, the EIS (~16.29% of the pool principal initially, based on the indicated PTC yield, for PTC Series A1) available in the structure provides credit enhancement support to the transaction. The EIS will not flow back to the originator and will instead be utilised towards accelerated principal amortisation after the promised and scheduled pay-outs to the PTCs. All prepayment amounts would be passed on to the PTC Series A1 (till PTC Series A1 principal is not fully amortised) every month and future pay-outs will be revised accordingly. The CC of 5.00% of the initial pool principal (Rs. 2.07 crore), provided by NCPL, acts as further credit enhancement in the transaction. In the event of a shortfall in meeting the promised PTC pay-outs 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 geographical concentration of the loan contracts in the current pool is high with the top three states constituting ~67% of the initial pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~20 months) and pre-securitisation amortisation (~25%). The pool has a high share of contracts (~49%) with a ticket size of more than Rs. 10 lakh as on the cut-off date. The performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any.

Past rated pools performance: This is the 3rd single originator transaction of NCPL rated by ICRA. Rating for both the previous transactions have been withdrawn.

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 considering 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 5.75-6.75% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 12.0%-18.0% per annum.

Liquidity position: Strong for PTC Series A1

As per the transaction structure, only the interest amount is promised to the PTC 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 enhancements are expected to be comfortable to meet the promised pay-outs to the PTC Series A1 investors.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (>95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor pay-outs from the credit enhancement.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels.

Analytical approach

The rating actions are 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

NeoGrowth Credit Private Limited (NCPL) is a non-deposit-taking and systematically important non-banking financial company, which started operations in FY2013. The company is promoted by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), West Bridge Crossover Fund and IIFL Seed Ventures Fund. Prior to setting up NCPL, the promoters had founded and managed Venture Infotek, that provided end-to-end card payment processing solutions for banks that issue credit cards and those with whom the merchants have the point-of-sales terminals. The promoters divested their stake in the company in 2010.

Key financial indicators

NeoGrowth Credit Finance Limited	FY2021	FY2022	H1FY2023
Total income	313	363	176
Profit after tax	(42)	(39)	6
Total AUM	1,323	1,559	1,454
Gross stage 3	6.4%	12.9%	5.6%
Net stage 3	2.5%	5.1%	2.2%

Source: *Company, ICRA Research; All ratios as per ICRA calculations; Amounts in Rs. Crore;*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3">Sr. No.</th><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2023)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating in FY2023</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th><th>Date & Rating in FY2020</th></tr>
<tr><th>Dec 14, 2022</th><th>Sep 21, 2022*</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>1</td><td>Libra Trust August 2022</td><td>PTC Series A1</td><td>36.88</td><td>36.88</td><td>[ICRA]A(SO)</td><td>Provisional [ICRA]A(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

**Initial rating assigned*

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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
Libra Trust August 2022	PTC Series A1	September 2022	9.25%	May 2024	36.88	[ICRA]A(SO)

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

Source: *Company*

Annexure-II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Samriddhi Chowdhary
+91 22 6114 3462
samriddhi.chowdhary@icraindia.com

Sohil Mehta
+91 22 6114 3449
sohil.mehta@icraindia.com

Palak Bhatt
+91 22 6114 3400
palak.bhatt@icraindia.com

Nemish Shah
+91 22 6114 3456
nemish.shah@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

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

info@icraindia.com

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.

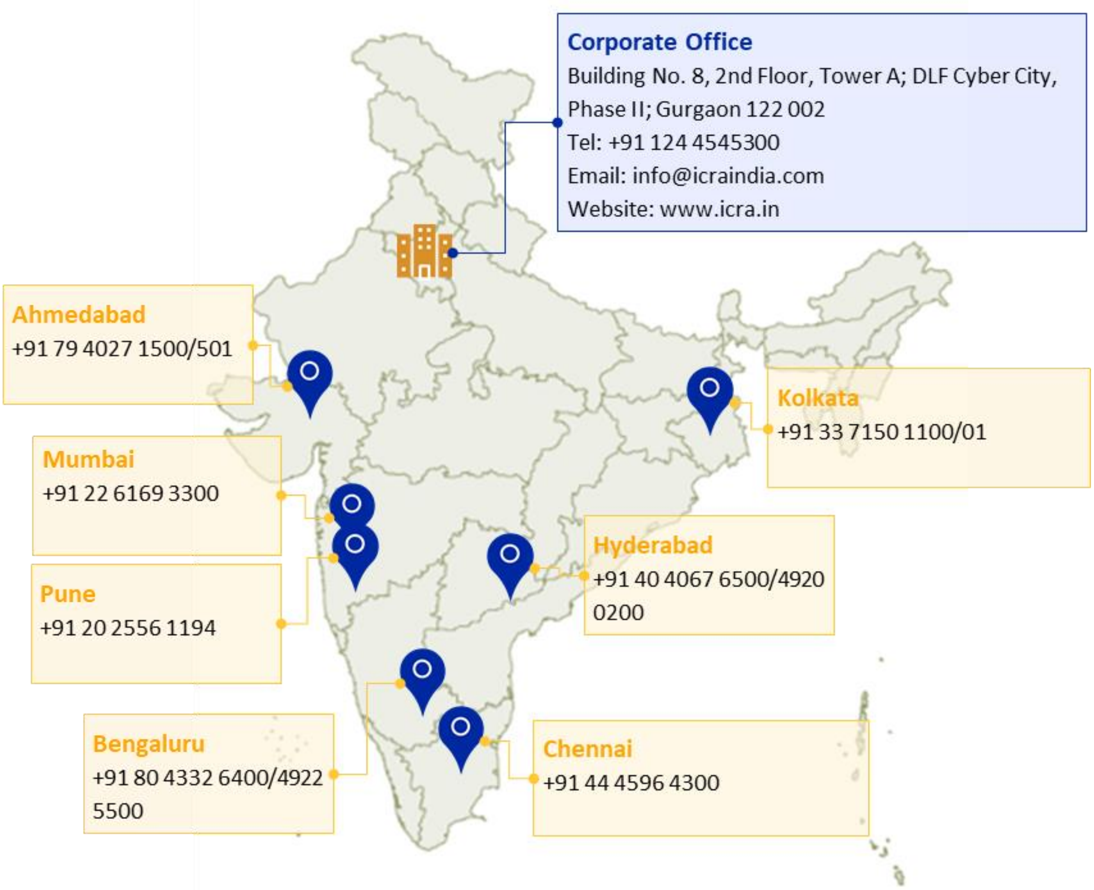
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.