

January 06, 2023

## Satin Creditcare Network Ltd.: Provisional [ICRA]AA-(SO) assigned to Series A1(a) PTC and Provisional [ICRA]A-(SO) assigned to Series A1(b) PTC backed by microfinance loan receivables issued by SAINT BEN 2022

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
SAINT BEN 2022	Series A1(a) PTC	27.69	Provisional [ICRA]AA-(SO); Assigned
	Series A1(b) PTC	2.60	Provisional [ICRA]A-(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
--	--

### Rationale

ICRA has assigned provisional ratings to the pass-through certificates (PTCs) issued under a securitisation transaction originated by Satin Creditcare Network Ltd. (Satin; rated [ICRA]A- (Negative)/[ICRA]A1). The PTCs are backed by a pool of Rs. 34.61-crore (principal amount; receivables of Rs. 42.04 crore) microfinance loan receivables.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts. Credit enhancement is available in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal to be provided by Satin (originator), (ii) principal subordination (20.00% of the initial pool principal for Series A1(a) PTC and 12.50% for Series A1(b) PTC) and (iii) excess interest spread (EIS) of 14.15% of the initial pool principal for Series A1(a) PTC and 12.63% of the initial pool principal for Series A1(b) PTC in the structure, as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure, due diligence audit of the pool, review by ICRA of the documentation pertaining to the transaction, and the furnishing of a legal opinion on the transaction to ICRA by Satin.

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of EIS, over-collateralisation and CC
- Average pre-securitisation amortisation of 14% 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 over 55% to the initial pool principal
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; performance of the pool could remain exposed to macro-economic shocks/business disruptions
- Performance of the pool would 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 will be used to make the promised interest payouts (at the predetermined yield and on pari-passu basis to the holders of Series A1(a) PTC and Series A1(b) PTC) on the outstanding PTC principal) on each payout date. The final maturity date is September 16, 2024 for Series A1(a) PTC and September 17, 2024 for Series A1(b) PTC.

Till May 17, 2024, the collections from the pool, on each payout date, will be used for making the promised interest payouts to the PTC Series A investors (i.e. interest at predetermined yield to be paid to A1(a) and PTC Series A1(b) on a pari-passu basis). After making the promised interest payouts, the collections will be used to make the expected principal payouts to PTC Series A1(a) till its redemption followed by the expected principal payouts to PTC Series A1(b). The entire principal repayment to PTC Series A1(a) and PTC Series A1(b) is promised on the scheduled maturity date of the respective tranches.

From May 18, 2024 till the final maturity date, the collections from the pool will be used for making the promised interest payouts to PTC Series A1(a) and PTC Series A1(b) on a pari-passu basis. After making the promised interest payouts, the collections will be utilised for the redemption of PTC Series A1(a) and A1(b) on a pari-passu basis. The EIS available after meeting the expected and promised PTC payments will flow back to the originator on a monthly basis.

The first line of support for Series A1(a) PTC in the transaction is in the form of a principal subordination of 20.00% of the initial pool principal (includes the principal payable to Series A1(b) PTC). After Series A1(a) PTC has been fully paid, over-collateralisation of 12.50% of the initial pool principal could be available for Series A1(b) PTC. Further credit support is available in the form of EIS of 14.15% of the initial pool principal for Series A1(a) PTC and 12.63% of the initial pool principal for Series A1(b) PTC. A CC of 5.00% of the initial pool principal (Rs. 1.73 crore), to be provided by Satin, would act 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 are no overdues in the pool as on the cut-off date. The pool has moderate pre-securitisation amortisation at 14.0% as on the cut-off date. It has high geographical concentration with the top 3 states (Uttar Pradesh, Bihar and Madhya Pradesh) contributing ~55% to the initial pool principal amount. At the district level, the top 5 districts account for 20.0% of the initial pool principal amount. The company has witnessed an increase in delinquencies at the portfolio level following the onset of the Covid-19 pandemic. Given the unsecured nature of the asset class, the performance of the pool could remain exposed to macro-economic shocks/business disruptions going forward. The performance of the pool would also be exposed to political and communal risks as well as natural calamities that may impact the income-generating capability of the borrower.

## 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 5.00-6.00% 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 monthly to Series A1(a) PTC and Series A1(b) PTC on a pari-passu basis while the principal amount is promised on the scheduled maturity date of the respective tranches. 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 September 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 ratings 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 ratings 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. (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, it 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 (non-deposit 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 (audited)

	FY2021	FY2022	H1 FY2023*
<b>Total income</b>	1,374	1,381	706
<b>Profit after tax</b>	(14)	21	(153)
<b>Gross loan portfolio</b>	8,379	7,617	7,575
<b>Gross stage 3</b>	8.4%	8.0%	3.9%
<b>Net stage 3</b>	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	Instrument	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years			
		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 SAINT BEN 2022				Jan 06, 2023	-	-	-
	Series A1(a) PTC	27.69	27.69	Provisional [ICRA]AA-(SO)	-	-	-
	Series A1(b) PTC	2.60	2.60	Provisional [ICRA]A-(SO)	-	-	-

#### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a) PTC	Moderately Complex
Series A1(b) PTC	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
<b>SAINT BEN 2022</b>	Series A1(a) PTC	December 2022	12.09%	September 2024	27.69	Provisional [ICRA]AA-(SO)
	Series A1(b) PTC		14.00%		2.60	Provisional [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](mailto:abhishek.dafria@icraindia.com)

**Samriddhi Chowdhary**

+91 22 6114 3400

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

**Sohil Mehta**

+91 22 6114 3449

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

**Alwin Thankachan**

+91 22 6114 3411

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

**Rushabh Gohel**

+91 22 6114 3420

[rushabh.gohel@icraindia.com](mailto:rushabh.gohel@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

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

## 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](http://www.icra.in)

## ICRA Limited



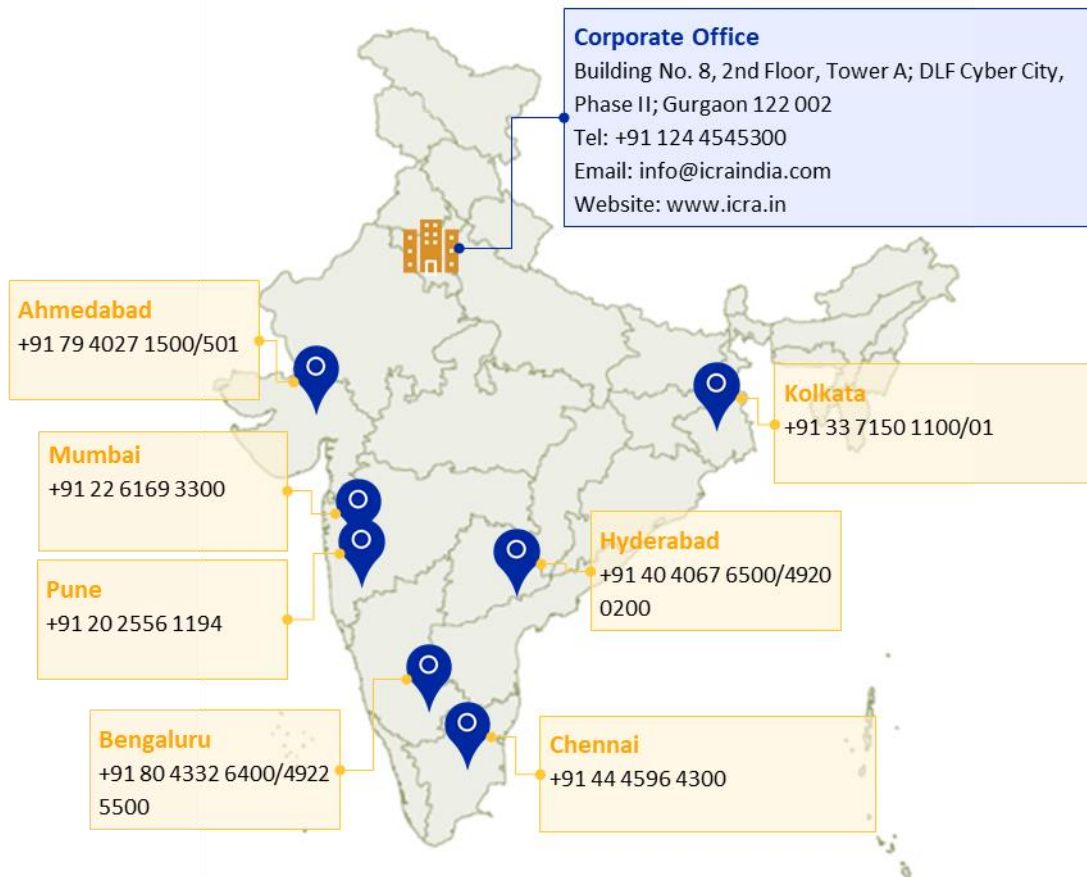
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

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](http://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.