January 19, 2023

Ugro Capital Limited: Rating confirmed as final for PTCs backed by unsecured business loan receivables issued by Nimbus 2022 UBL Condor

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 UBL Condor	PTC Series A1	21.98	[ICRA]A+(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure-1*

Rationale

In September 2022, ICRA had assigned a Provisional [ICRA]A+(SO) rating to PTC Series A1 issued by Nimbus 2022 UBL Condor. The pass-through certificates (PTCs) are backed by a pool of Rs. 23.63 crore (pool principal; receivables of Rs. 29.50 crore) of unsecured business loan (UBL) receivables originated by Ugro Capital Limited. 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 December 2022 payout is shown in the table below.

Parameter	Nimbus 2022 UBL Condor
Months post securitisation	3
Pool amortisation	10.81%
PTC Amortisation	14.38%
Cumulative collection efficiency	99.74%
Loss-cum-0+ dpd	0.33%
Loss cum 30+ dpd	0.33%
Cumulative prepayment rate	2.06%
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)
- No overdue contracts in the pool as on the cut-off date
- All the contracts in the pool have CIBIL score greater than 700 as on the cut-off date

Credit challenges

- High geographical concentration with contracts from top three states accounting for ~57% of the pool as on the cut-off date
- Limited vintage has been observed since majority of the book building has happened in the last two years.
- 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 will be assigned at par to the PTC investors. 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 (February 17, 2025). On each payout date, after meeting the promised PTC Series A1 interest payouts, all excess cash flow to the extent of the principal billed, will be paid out to meet the expected PTC Series A1 principal payout. All prepayment amounts would be passed on to PTC Series A1 (till the PTC Series A1 principal is not fully amortised) every month and the future payouts will be revised accordingly. 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 actual tenure of the PTCs is thus 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 principal subordination of 7.00% (which includes over-collateralisation of 5% and equity tranche of 2%) of the pool principal. Further credit support is available in the form of an EIS of 15.09% and a CC of 8.0% of the initial pool principal (i.e. Rs. 1.89 crore) provided by Ugro 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 pre-securitisation amortisation was moderate at 17.05% as on the cut-off date. The pool had very high geographical concentration with contracts from the top 3 states contributing ~57% to the pool principal amount. The pool remains exposed to the inherent credit risk associated with the underlying asset class, namely UBLs. ICRA, however, takes note of the moderate seasoning (weighted average seasoning of ~8 months) of the pool and the absence of overdue contracts as on the pool cut-off date. Further, all the contracts in the pool had a CIBIL score of more than 700 as on the cut-off date. Furthermore, none of the contracts were overdue (as on the cut-off date) since origination {i.e. peak delinquency of 0+ days past due (dpd)}, which provides comfort. The performance of the pool would, however, remain exposed to macro-economic shocks/business disruptions, if any.

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 contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 4.50-5.50% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 4.8-18.0% per annum (with mean of 12.0%).

Liquidity position: Strong

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 enhancement 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 strong collection performance of the underlying pool (monthly collection efficiency >95%), on a sustained basis, leading to the build-up of credit enhancement cover for the remaining pay-outs.

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and CE utilisation level.

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 Origintor

Ugro Capital Limited (Ugro), is a specialised small business lending platform registered as a systemically important non-deposit taking NBFC. The company was incorporated in 1993, as the erstwhile Chokhani Securities Ltd, and pursuant to a change in the management in 2018, it was renamed as Ugro Capital Limited. The Company commenced disbursements in Jan-19 and has an asset under management (AUM) of Rs 4,375 crore as of September 2022. The company has been listed on the BSE since 1995, with a demonstrated track record of profitability. It is present in 12 states/union territory and has 98 branches as of September 2022.

Key financial indicators

	FY2021	FY2022	H1 FY2023
Net worth (Rs. crore)	952	966	955
Profit after tax (Rs. crore)	28.7	14.6	12.6
Assets under management (Rs. crore)	1,317	2,969	4,375
Gross NPA (%)	2.7%	2.3%	1.7%[1]
Net NPA (%)	1.7%	1.7%	1.2%[1]

Source: Company & ICRA Research

[1]On AUM

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
					January 19, 2023	October 06, 2022	-	-	-
1	**Nimbus 2022 UBL Condor**	PTC Series A1	21.98	21.98	**[ICRA]A+(SO)**	**Provisional [ICRA]A+(SO)**	-	-	-

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
Nimbus 2022 UBL Condor	PTC Series A1	September 2022	10.40%	February 2025	21.98	[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.

For more information, visit www.icra.in

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