

February 16, 2023

## DMI Finance Private Limited: Rating upgraded to [ICRA]AAA(SO) for PTC Series A issued under consumer loan receivables securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount O/s after Jan-23 Payout (Rs. crore)	Rating Action
<b>MOST I</b>	PTC Series A	238.10	NA	97.88	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) originated by DMI Finance Private Limited (DMI/Originator); rated [ICRA]AA-(Stable) / [ICRA]A1+) are backed by consumer loan receivables. The rating action is driven by the healthy pool amortisation, resulting in the build-up of the credit enhancement (CE). The breakeven collection efficiency for the pool is comfortable compared to the actual collection efficiency seen in the pool.

### Pool performance summary

A summary of the performance of the pool till the December 2022 collection month (January 2023 payout month) has been tabulated below.

Parameter	MOST I
Months post securitisation	7
Pool amortisation	53.94%
PTC Series A amortisation	58.89%
Cumulative collection efficiency <sup>1</sup>	98.80%
Loss-cum-0+ (% of initial pool principal) <sup>2</sup>	2.21%
Loss-cum-30+ (% of initial pool principal) <sup>3</sup>	1.22%
Loss-cum-90+ (% of initial pool principal) <sup>4</sup>	0.38%
Cumulative CC utilisation	0.00%
Breakeven collection efficiency	57.24%
CC available (as % of balance pool)	16.28%

### Key rating drivers

#### Credit strengths

- Healthy amortization of pool resulting in significant build-up of credit enhancement cover available for the balance PTC payouts
- Healthy collections observed in the pool

<sup>1</sup> Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

<sup>2</sup> Unbilled and Overdue Principal portion of contracts delinquent for more than 0 days, as a % of Initial Pool Principal

<sup>3</sup> Unbilled and Overdue Principal portion of contracts delinquent for more than 30 days, as a % of Initial Pool Principal

<sup>4</sup> Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

## Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

## Description of key rating drivers highlighted above

Details on the structure and salient features of each rated instrument are available in ICRA's previous rationale: [Click here](#). DMI had assigned the future receivables arising from the selected pool of loans to a special purpose vehicle (trust). The pool comprised of loans given by DMI for consumer durables for Samsung products under subvention scheme. The transaction had a replenishment period for a period of six months from the transaction commencement date, followed by amortisation over thirteen months as per scheduled maturity. During the replenishment period, the principal collections were to be utilised to purchase additional receivables (or further receivables or fresh set of additional receivables) at monthly intervals. The amortisation for the rated pool commenced from December 2022 payout. .

The pool has shown a healthy collection efficiency of ~99% as of the January 2023 payout month. The loss-cum 30+ days past due (dpd) is low and stood at 1.22% as of the January 2023 payout month. The healthy collections and the high amortisation of around ~54.0% have led to the significant build-up of the CE in the pool. The pool has seen nil CC utilisation while the cumulative prepayment rates have been low at ~1.0%.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating to the current level in the transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations. The performance of the pool would remain exposed to macro-economic shocks/business disruptions, if any.

**Past rated pools performance:** ICRA also has outstanding rating on one pool of consumer loans and two pools of personal loan for DMI.

## Key rating assumptions

ICRA's cash flow modelling for rating asset-backed security (ABS) transactions involves the simulation of potential delinquencies (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the shortfall in collections are arrived at after taking into account the past performance of the originator's portfolio and the rated pools as well as the characteristics of the current pool being evaluated. As per the transaction structure the principal collections during the replenishment period were to be used to acquire new contracts, and thus the characteristics of the pool during the replenishment stage were dynamic in nature. Thus, the loss computations at the time of the fresh rating exercise were based on the defined eligibility criterion for acquiring follow-on pools. It is to be noted that the replenishment period is over and the pool amortization has commenced. Additionally, the assumptions may be adjusted to account for the current macroeconomic situation as well as 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 to be 5.0-6.0% of the initial pool principal, with certain variability around it.

## Liquidity position: Superior

The replenishment period is over and the amortisation period has started in the transaction. The principal amount on the rated PTCs is promised on the scheduled maturity date and only the interest amount is promised on a monthly basis. Additionally, a cash collateral of ~16% is also available in the transaction. The collections and the credit enhancements are expected to be highly comfortable to meet the promised payouts to the investors.

## Rating sensitivities

**Positive factors** – NA

**Negative factors** – Given the shorter balance tenure of the PTCs the rating is unlikely to be downgraded.

## Analytical approach

The rating action is based on the analysis of the performance of DMI's portfolio till December 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE 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

## About the originator

DMI Finance Private Limited (DMI), incorporated in 2008, is a private financial services company registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). While it was mainly engaged in secured corporate lending (largely to real estate builders) till a few years ago, it has shifted focus to digital lending, wherein it provides consumption loans, personal loans and micro, small and medium enterprise (MSME) loans. This is a completely digital technology-driven business with API-based origination, underwriting and loan management systems. DMI predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers (OEMs) and technology-driven aggregators.

As on March 31, 2022, retail loans accounted for 62% of the Rs. 5,432-crore loan book with the wholesale real estate lending book accounting for 38%. Within the retail book, personal loans account for 42%, consumer loans for 51% while MSME loans account for the balance (8%).

## Key financial indicators (standalone)

Particulars	FY2020 (A)	FY2021 (A)	FY2022 (A)
Total income	645	764	911
Profit after tax	99	22	58
Assets under management	3,725	3,655	5,432
Gross NPA	4.6%	3.9%	2.2%
Net NPA	1.9%	1.5%	0.3%

Source: ICRA Research; Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023			Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Feb 16, 2023	Nov 11, 2022	Jun 30, 2022			
1	<b>MOST I</b>	PTC Series A	238.10	97.88	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	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>MOST I</b>	PTC Series A	June 2022	8.30%	January 2024	97.88	[ICRA]AAA(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](http://www.icra.in)

## ICRA Limited



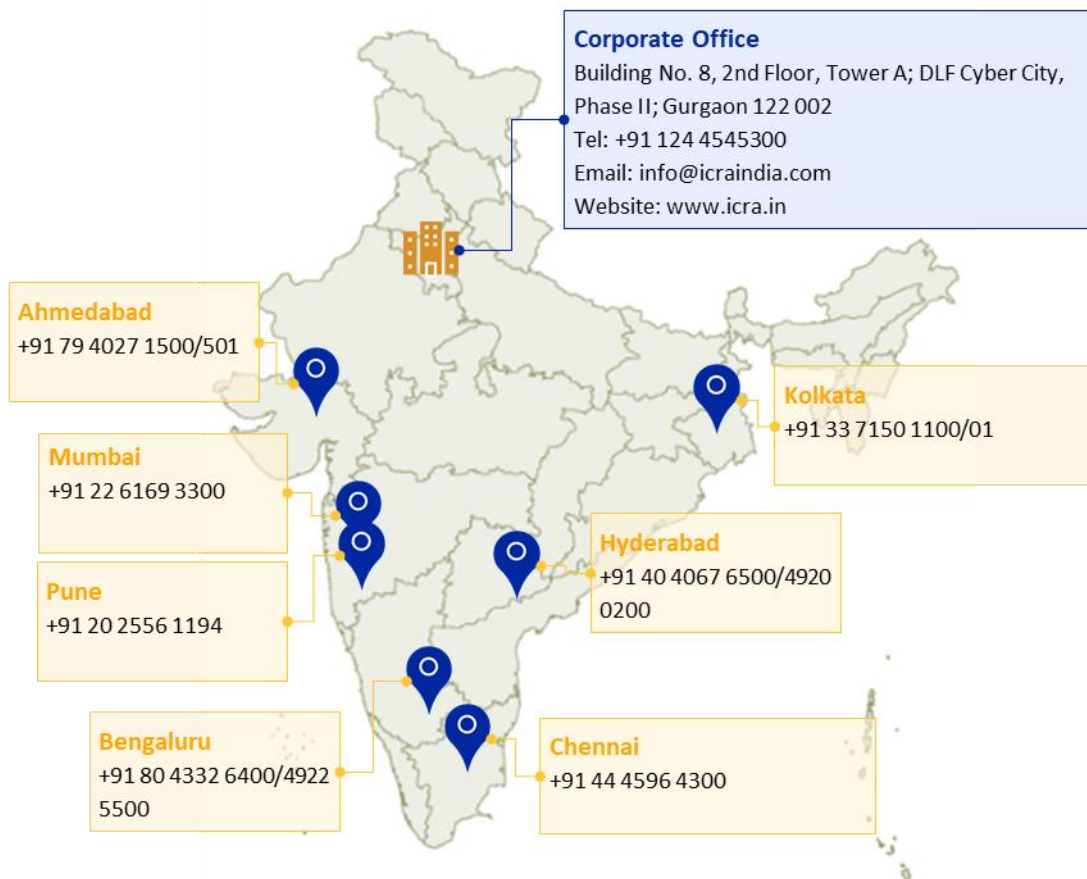
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