

July 10, 2023

NeoGrowth Credit Private Limited: Rating confirmed as final for PTCs backed by MSME business loan receivables issued by Nimbus 2023 UBL Aquarius

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2023 UBL Aquarius	PTC Series A	53.07	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In February 2023, ICRA had assigned a Provisional [ICRA]A(SO) rating to pass-through certificates (PTCs) Series A issued by Nimbus 2023 UBL Aquarius. The PTCs are backed by a pool of Rs. 72.88-crore micro, small and medium enterprise (MSME) business loan receivables (underlying pool principal of Rs. 60.45 crore) originated by NeoGrowth Credit Private Limited {NCPL/originator; rated [ICRA]BBB (Stable)}. 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 June 2023 payout month has been provided below.

Parameter	Nimbus 2023 UBL Aquarius
Months post securitisation	4
Pool amortisation	26.5%
PTC Series A amortisation	30.2%
Cumulative collection efficiency ¹	95.8%
Loss-cum-0+ dpd (% of initial pool principal) ²	6.3%
Loss cum 30+ dpd (% of initial pool principal) ³	2.4%
Loss cum 90+ dpd (% of initial pool principal) ⁴	0.6%
Cumulative prepayment rate	8.8%
Cumulative credit collateral utilisation	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS), subordination and 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

- High geographical concentration in the pool with top 3 states accounting for ~63% of the initial pool principal
- 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

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

²Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

⁴Principal outstanding on contracts aged 180+ dpd / Principal outstanding on the pool at the time of securitisation

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 A on a monthly basis will comprise the interest at the predetermined yield on the outstanding PTC principal on each payout date and the entire principal on the final maturity date.

The first line of support for PTC Series A in the transaction is in the form of a subordination (including the equity tranche) of 12.20% of the pool principal. Additionally, the EIS (12.99% of the pool principal initially, based on the indicated PTC yield, for PTC Series A) available in the structure will provide credit enhancement support to the transaction. The surplus EIS available after meeting the promised payouts to the PTCs shall flow back to the originator on every payout. All prepayment amounts would be passed on to PTC Series A (till PTC Series A principal is not fully amortised) every month and future payouts will be revised accordingly. The CC of 5.00% of the initial pool principal (Rs. 3.02 crore), provided by NCPL, 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 same.

There were 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 3 states constituting ~63% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~8 months) and pre-securitisation amortisation (~24%). The pool has a high share of contracts (~97%) with a ticket size of more than Rs. 10 lakh. Its performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

Past rated pools performance: ICRA has rated six PTC transactions of NCPL, including two which have matured. The performance of the live pools, as of the June 2023 payout, has been satisfactory with a cumulative collection efficiency of more than 95% with nil CC utilisation.

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 factor 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 5.50-6.50% 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

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the entire 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 payouts to the PTC Series A 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 payouts 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 originator

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

Key financial indicators

NeoGrowth Credit Private Limited	FY2021	FY2022	FY2023
Total income	313	363	383
Profit after tax	(42)	(39)	17
Total managed assets	1,323	1,559	1,852
Gross stage 3	6.4%	12.9%	4.3%
Net stage 3	2.5%	5.1%	2.2%

Source: Company, ICRA Research; All ratios as per ICRA calculations; 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	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years			
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jul 10, 2023	Feb 27, 2023*	-	-
1	Nimbus 2023 UBL Aquarius	PTC Series A	53.07	53.07	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

*Initial rating assigned

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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2023 UBL Aquarius	PTC Series A	February 2023	11.25%	July 2025	53.07	[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

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About ICRA Limited:

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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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