

August 21, 2023

Satin Creditcare Network Ltd.: Ratings reaffirmed/upgraded for two PTCs issued under microfinance loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
KiPlatform M22 – 008	PTC Series A1	59.83	NA	0.93	[ICRA]AAA(SO); upgraded from [ICRA]A(SO)
	PTC Series A2	1.84	NA	1.84	[ICRA]AAA(SO); upgraded from [ICRA]A-(SO)
Oceana 03 2022	PTC Series A1	63.02	NA	16.08	[ICRA]AA-(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the ratings for the pass-through certificates (PTCs) issued under the securitisation transaction, KiPlatform M22 – 008, and reaffirmed the rating for the PTCs issued under the securitisation transaction, Oceana 03 2022. Both the transactions are backed by pools of microfinance loan receivables originated by Satin Creditcare Network Ltd. (Satin; rated [ICRA]A- (Stable)/[ICRA]A1). The ratings have been reaffirmed/upgraded on account of the sustained healthy collections and low delinquencies witnessed in both the pools. For KiPlatform M22 – 008, the rating upgrade is on account of the significant amortisation in the pool, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts in the transaction. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pools.

A summary of the performance of the pools till the June 2023 collection month (July 2023 payout) has been tabulated below.

Pool performance summary (till July 2023 payout month)

Particulars	KiPlatform M22 – 008	Oceana 03 2022
Months post securitisation	14	10
Pool amortisation	81.49%	67.03%
PTC Series A1 amortisation	98.44%	74.49%
Cumulative collection efficiency ¹	99.13%	98.67%
Loss-cum-30+ dpd ² (% of initial pool)	0.66%	1.38%
Loss-cum-90+ dpd ³ (% of initial pool)	0.52%	1.05%
Cumulative cash collateral utilisation	0.00%	0.00%
Cumulative prepayment rate	28.93%	28.93%
Breakeven collection efficiency ⁴ for PTC Series A1	NA	30.59%
Cash collateral (CC) (% of balance pool)	64.84%	37.92%
Principal subordination (% of balance pool) for PTC Series A1	92.49%	30.35%

¹ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

² Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 30 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 90 days, as a % of Initial Pool Principal

⁴ (Balance Cash flows payable to investor – CC available)/Balance Pool Cash flows

Particulars	KiPlatform M22 – 008	Oceana 03 2022
Excess interest spread (EIS) ⁵ (% of balance pool) for PTC Series A1	5.02%	7.51%

Reset of credit enhancement

At the request of Satin for resetting the credit enhancement for the **Oceana 03 2022** transaction, ICRA has analysed the transaction at a cash collateral (CC) of Rs. 2.63 crore (11.37% of balance pool principal), against the currently available CC of Rs. 8.75 crore (37.92% of balance pool principal). Based on the pool's performance, the rating for the transaction will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA. Therefore, Rs. 3.68 crore can be released and CC post reset will be Rs. 5.08 Crore.

Credit strengths

For KiPlatform M22 - 008

- Significant amortisation of the pool with no cash collateral utilisation resulting in cash collateral covering entire future PTC payouts

For Oceana 03 2022

- High amortisation of PTCs resulting in build-up of credit enhancement cover available for the balance PTC payouts
- Healthy collections coupled with low delinquencies observed in the pools

Credit challenges

For KiPlatform M22 - 008

- Not Applicable

For Oceana 03 2022

- Performance of pool would remain exposed to natural calamities that may impact the income generating capability of the borrower, given the marginal borrower profile; further, pool performance would also be exposed to political and communal risks
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions

Description of key rating drivers highlighted above

The performance of the pools has been healthy with cumulative collection efficiency in excess of 98.5% as of the July 2023 payout month. The loss-cum-30+ days past due (dpd) has been below 1.5% as of the July 2023 payout month. There has been no CC utilisation in the transactions till date. Healthy collections and high pool amortisation more than 81% for KiPlatform M22 – 008 and more than 67% for Oceana 03 2022 have led to significant build-up of the CE in the pools and the breakeven collection efficiency for both pools is much lower than the collection levels observed. The average monthly prepayment rates for the pools are moderate at 2.4% to 3%. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade/reaffirm the rating with respect to the current rating levels for the transaction. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

For Oceana 03 2022, the pool's performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, its performance would also be exposed to natural calamities and political and communal risks.

⁵ (Pool Cash flows – Cash flows to PTC investors – Originator's residual share)/Pool Principal outstanding

Past rated pools’ performance: ICRA has live ratings on 30 securitisation transactions backed by microfinance loan receivables for Satin. The live pools, which have completed at least three payouts, have reported healthy collections with nil CC utilisation up to the July 2023 payouts.

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 Oceana 03 2022 pool is estimated at 1.50%-2.50% 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:

For KiPlatform M22 – 008: Superior

The cash collateral available covers the future PTC investor payouts.

For Oceana 03 2022: 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 collections 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 –

For KiPlatform M22 – 008: Not applicable

For Oceana 03 2022: 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 CE would result in a rating upgrade.

Negative factors –

For KiPlatform M22 – 008: The ratings are unlikely to be downgraded as the CC the future PTC payouts.

For the Oceana 03 2022: The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade.

Analytical approach

The rating action is based on the performance of the pools till June 2023 (collection month), the present delinquency levels and the CE available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Satin, 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 1,078 branches in the country as on March 31, 2023 on a standalone basis and 1,287 branches for the Group as a whole.

Satin is listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE). As on March 31, 2023, the company's consolidated assets under management (AUM) stood at Rs. 9,115 crore. It reported a net profit of Rs. 5 crore in FY2023 against Rs. 21 crore in FY2022 at the consolidated level.

Key financial indicators (audited)

Consolidated	FY2021	FY2022	FY2023
Total income	1,374 [^]	1,381	1,559
Profit after tax	(14)	21	5
Gross AUM	8,379	7,617	9,115
Gross stage 3	8.4%	8.0%	3.3%
Net stage 3	4.7%	2.4%	1.5%

Source: Company, ICRA Research; 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; [^]Adjusted for fair value losses
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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					August 21, 2023	August 30, 2022	June 06, 2022	-	-
1	KiPlatform M22 – 008	PTC Series A1	59.83	0.93	[ICRA]AAA(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		PTC Series A2	1.84	1.84	[ICRA]AAA(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)		

Sr. No.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					August 21, 2023	November 30, 2022	September 08, 2022		
1	Oceana 03 2022	PTC Series A1	63.02	16.08	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
KiPlatform M22 – 008	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
Oceana 03 2022	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
KiPlatform M22 – 008	PTC Series A1	May 2022	9.65%	April 2024	0.93	[ICRA]AAA(SO)
	PTC Series A2	May 2022	13.00%	April 2024	1.84	[ICRA]AAA(SO)
Oceana 03 2022	PTC Series A1	August 2022	10.00%	May 2024	16.08	[ICRA]AA-(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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