

September 05, 2023

## Protium Finance Limited: Provisional [ICRA]AA+(SO) assigned to PTCs backed by secured MSME loan (LAP) receivables issued by Turiya LAP - 230802

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Turiya LAP – 230802	Series A1 PTC	31.21	Provisional [ICRA]AA+(SO); Assigned

\*Instrument details are provided in Annexure I

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

### Rationale

ICRA has assigned a Provisional [ICRA]AA+(SO) rating to Series A PTC issued under a securitisation transaction originated by Protium Finance Limited. The pass-through certificates (PTCs) are backed by a pool of Rs. 32.85-crore secured micro, small and medium enterprise {MSME; loan against property (LAP)} receivables (principal amount; receivables of Rs. 57.09 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement (CE) available in the form of (i) a cash collateral (CC) of 8.00% of the pool principal to be provided by Protium, (ii) subordination (in the form of an equity tranche) of 5.00% of the pool principal for Series A PTCs, and (iii) the entire excess interest spread (EIS) of 57.96% of the pool principal in the structure, as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit strengths

- Availability of CE in the form of CC, EIS and subordination
- No overdue contracts in the pool as on the cut-off date
- Almost 92% of the contracts in the pool are backed by residential properties as on the cut-off date
- Almost 92% of the contracts have a bureau score of more than 700 as on the cut-off date

#### Credit challenges

- Moderate geographical concentration with top 3 states accounting for ~60% share in the initial pool
- The yield on Series A1 PTC is fixed and the pool yield is floating, linked to the originator's benchmark rate. Hence, the transaction is exposed to interest rate risk and any adverse movement in the benchmark yield is likely to reduce the EIS available in the transaction
- Limited vintage has been observed as majority of the book building was done in the last two years
- Performance of the pool would remain exposed to macro-economic shocks/business disruptions

### Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to Series A1 PTC at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 PTC is promised on the last payout date. During the tenure of Series A1 PTC, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to Series A1 PTC. This principal payout is not promised and any shortfall in making the expected principal payment to Series A1 PTC would be carried forward to the subsequent payout. The surplus

EIS available after meeting the promised and expected payouts to the PTCs will be used towards the accelerated redemption of Series A1 PTC. Also, 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.

The first line of support for Series A1 PTC in the transaction is in the form of a subordination of 5.00% of the pool principal. Further credit support is available in the form of an EIS of 57.96% and a CC of 8.00% of the pool principal (i.e. Rs. 2.63 crore) to be provided by Protium.

The underlying loans follow a monthly payment schedule. There are no overdues in the pool as on the cut-off date and none of the contracts in the pool have been delinquent during their loan cycle. The average pre-securitisation amortisation stood at ~7% as on the cut-off date. Further, ~92% of the contracts in the pool have a CIBIL score of 700 and above. The pool has moderate geographical concentration with the top 3 states (Karnataka, Telangana and Maharashtra) contributing ~60% to the initial pool principal amount. The interest rate for the contracts in the pool is floating while the PTC yield is fixed, thereby creating an interest rate risk in the structure. The pool's performance would remain exposed to any macro-economic shocks/business disruptions.

**Past rated pools' performance:** ICRA has rated one secured MSME loan (LAP) receivables pool in July 2023, which is yet to complete a payout.

### 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 taking into account the past performance of the originator's portfolio 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 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%, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-20.0% per annum with a mean of 16.0%.

### 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 CE are expected to be comfortable to meet the promised payouts to the Series A1 PTC investors.

### Rating sensitivities

**Positive factors** – The sustained strong collection performance of the underlying pool (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels and lower CE utilisation levels, would result in a rating upgrade.

**Negative factors** – 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 analysis of the performance of Protium's portfolio till March 2023, 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

### Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of 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 rating 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 rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

### About the originator

Protium Finance Limited (Protium) is a systemically important non-deposit taking (ND-SI) non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It was incorporated in 2019 as Growth Source Financial Technologies Private Limited and later as Growth Source Financial Technologies Limited and was rechristened Protium Finance Limited in June 2022. It provides secured and unsecured loans to small and medium enterprises (SME), micro, small and medium enterprises (MSME), educational institution and hospital funding, consumer loans and small financial institutional funding. The company's assets under management (AUM) stood at Rs. 2,908 crore with a customer base of 3 lakh as of March 2023 against AUM of Rs. 1,415 crore with a customer base of 91,602 as of March 2022. Protium operates through a network of 85 branches spread across 16 states.

### Key financial indicators (audited)

	FY2021 IGAAP	FY2022 IND AS	FY2023 IND AS
Total income	30.9	159.5	433.1
Profit after tax	0.4	14.0	63.1
Assets under management	321.2	1,415	2,908.1
Gross NPA	0.02%	0.16%	0.65%
Net NPA	0.01%	0.04%	0.33%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

S. 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
1	Turiya LAP – 230802	Series A1 PTC	31.21	31.21	September 5, 2023 Provisional [ICRA]AA+(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 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
Turiya LAP - 230802	Series A1 PTC	August 2023	8.55% p.a.p.m.	August 2035	31.21	Provisional [ICRA]AA+(SO)

\*\*Scheduled maturity date at transaction initiation; may change on account of prepayments

**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)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Priya Gounder**

+91 22 6114 3454

[priya.gounder@icraindia.com](mailto:priya.gounder@icraindia.com)

**Ritu Rita**

+91 22 6114 3409

[ritu.rita@icraindia.com](mailto:ritu.rita@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3304

[shivakumar@icraindia.com](mailto:shivakumar@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.