

September 12, 2023

NeoGrowth Credit Private Limited: Ratings confirmed as final for two PTCs backed by MSME business loan receivables issued by Nimbus 2023 UBL Tyson and Shark 02 2023

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2023 UBL Tyson	PTC Series A	49.96	[ICRA]A(SO); Provisional rating confirmed as final
Shark 02 2023	PTC Series A1	44.56	[ICRA]A-(SO); Provisional rating confirmed as final

*Instrument details are provided in Annexure-I

Rationale

In May 2023, ICRA had assigned a Provisional [ICRA]A(SO) rating to Pass Through Certificates (PTCs) Series A issued by Nimbus 2023 UBL Tyson and in March 2023, ICRA had assigned a Provisional [ICRA]A-(SO) rating to Pass Through Certificates (PTCs) Series A1 issued by Shark 02 2023. The PTC for Nimbus 2023 UBL Tyson is backed by a pool of Rs. 67.06 crore MSME business loan receivables (pool principal; receivables outstanding of Rs. 56.78 crore) and the PTC for Shark 02 2023 is backed by a pool of Rs. 50.64 crore (pool principal; receivables outstanding of Rs. 62.67 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 ratings have now been confirmed as final.

A summary of the performance of Nimbus 2023 UBL Tyson after the August 2023 payout month has been provided below.

Parameter	Nimbus 2023 UBL Tyson
Months post securitisation	3
Actual pool amortisation	22.75%
PTC Series A amortisation	26.19%
Average monthly prepayment rate	2.65%
Cumulative collection efficiency ¹	96.42%
Loss cum 0+ dpd ²	5.93%
Loss cum 30+ dpd ³	0.93%
Loss cum 90+ dpd ⁴	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Nimbus 2023 UBL Tyson

Credit strengths

- Availability of credit enhancement in the form of EIS, subordination and CC
- Absence of overdue contracts as on pool cut-off date

Credit challenges

- High geographical concentration in the pool with top 3 states accounting for ~57% 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, if any.

Shark 02 2023

Credit strengths

- Availability of credit enhancement in the form of EIS, subordination and CC
- Absence of overdue contracts as on pool cut-off date. Contracts part of replenishment pool too would be current at the time of assignment
- Average seasoning of ~5 months and pre- securitisation amortisation of 19% of the pool as on the pool cut-off date

Credit challenges

- High geographical concentration in the pool with top 3 states accounting for ~ 77% of the 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, if any.

Description of key rating drivers highlighted above

Nimbus 2023 UBL Tyson:

According to the transaction structure, the loan pool receivables were assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A on a monthly basis would comprise the interest at the predetermined yield on the outstanding PTC principal on each pay-out 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 12.00% of the pool principal. Additionally, the EIS (~11.13% 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 the PTC Series A (till PTC Series A principal is not fully amortised) every month and future pay-outs will be revised accordingly. The CC of 5.00% of the initial pool principal (Rs. 2.84 crore), to be provided by NCPL, would act as further credit enhancement in the transaction. In the event of a shortfall in meeting the promised PTC pay-outs during any month, the Trustee will utilise the CC to meet the shortfall

There are 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 three states constituting ~57% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~8 months) and pre-securitisation amortisation (~26%). Further, the CIBIL score of almost all the contracts is above 700. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

The first line of support for PTC Series A1 in the transaction is in the form of subordination of 12.00% of the pool principal. After the promised and scheduled payout to the PTCs holders have been made every month (as per the waterfall below), the EIS will flow back to the Originator. Cash collateral of 5.00% (Rs. 2.53 crore) of the initial pool principal provided by NCPL, acts as further credit enhancement in the transaction. The cash collateral will be in the form of a fixed deposit maintained with a bank acceptable to ICRA. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the cash collateral to meet the shortfall. The cash collateral not only provides credit support against losses on the pool, but also imparts liquidity.

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

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

3 Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitization

4 Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitization

There are 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 ~77% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~6 months) and average pre-securitisation amortisation (~19%). The pool has a high share of contracts (~76%) with a ticket size of more than Rs. 10 lakh. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

Performance of past rated pools: ICRA has rated ten PTC transactions of NCPL, of which two have now matured. The performance of the live pool, as of the August 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 factors that ICRA believes could impact the performance of the underlying pool of contracts.

Nimbus 2023 UBL Tyson:

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 5.00-6.00% 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.

Shark 02 2023:

After taking into account the above-mentioned factors regarding the asset class, and after adjusting for key features like seasoning, overdues, ticket size, industry, internal rate of return (IRR), bureau score, nature of borrower's business and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 6.75-7.75%, with certain variability around it. ICRA's estimation of the variability also considers NCPL's short track record.

Liquidity position:

Nimbus 2023 UBL Tyson PTC Series A: Strong

As per the transaction structure, only the interest amount is promised to the PTC holders of Series A 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.

Shark 02 2023 PTC Series A1: 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 A1 investors.

Rating sensitivities

Nimbus 2023 UBL Tyson PTC Series A

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.

Shark 02 2023 PTC Series A1

Positive/Negative factors – The rating is unlikely to be revised during the replenishment period. Any rating revision would be dependent on the performance of the underlying pool and the CE utilisation during the amortisation period.

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 systemically important non-banking financial company, which started operations in FY2013. It was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Leapfrog Investments, FMO, Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), and IIFL Seed Ventures Fund. Before setting up NCPL, the founders had established and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and those with whom merchants have a 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; Amounts 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
					Sep 12, 2023	May 25, 2023			
1	Nimbus 2023 UBL Tyson	PTC Series A	49.96	49.96	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

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
					Sep 12, 2023	Mar 30, 2023			
2	Shark 02 2023	PTC Series A1	44.56	44.56	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-

*Initial Rating Assigned

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	Moderately Complex
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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2023 UBL Tyson	PTC Series A	May 2023	11.25%	March 2025	49.96	[ICRA]A(SO)
Shark 02 2023	PTC Series A1	March 2023	12.05%	November 2025	44.56	[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:

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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Branches



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