

November 27, 2023

## DMI Finance Private Limited: Ratings upgraded for PTCs issued under two personal loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Oct-23 Payout (Rs. crore)	Rating Action
PLUM I	PTC Series A1	90.53	NA	39.42	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
PLUM II	PTC Series A1	77.27	NA	18.88	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by pools of personal loan receivables originated by DMI Finance Private Limited (DMI; rated [ICRA]AA(Stable)/[ICRA]A1+). The ratings have been upgraded on account of the healthy amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pools till the October 2023 payout month.

### Pool performance summary

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

Parameter	PLUM I	PLUM II
Months post securitisation	9	10
Pool amortisation	49.68%	60.62%
PTC Series A1 amortisation	56.45%	75.57%
Cumulative collection efficiency <sup>1</sup>	102.54%	104.24%
Cumulative prepayment rate	23.29%	26.97%
Loss-cum-30+ (% of initial pool principal) <sup>2</sup>	4.09%	2.69%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	2.07%	1.43%
Cumulative CC utilisation	0.00%	0.00%
CC available (as % of balance pool)	15.90%	25.39%
Excess Interest Spread (EIS) over balance tenure (as % of balance pool)	15.98%	13.00%
Principal subordination (% of balance pool) PTC A1	23.85%	44.16%
Breakeven collection efficiency <sup>4</sup>	53.71%	28.12%

<sup>1</sup> Cumulative collections till date including advance collections but excluding prepayments/ Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

<sup>4</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available) / Balance pool cash flows

## Key rating drivers

### Credit strengths

- Healthy amortisation of the PTC resulting in significant credit enhancement build up for future PTC payouts.
- Healthy collection efficiency observed in the pool.

### Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could be affected by macro-economic shocks/business disruptions, if any.

## Description of key rating drivers highlighted above

The cumulative collection efficiency for both the pools has been above 100% as on October 2023 payout. The loss-cum-90+ days past due (dpd) is at 2.1% and 1.4% for PLUM I and PLUM II pools as on October 2023 payout month. While there has been an increase in delinquencies in the pools in the last few months however the loss cum 90+ dpd is still lower. Any shortfall in the collections in the past has been absorbed by the subordination and/or excess interest spread available in the structure. Hence, there has been no CC utilisation till date in both the pools. Further, due to the significant amortisation of the PTC/pools, there has been a considerable build-up in the CE for the balance tenure of the PTC payouts. The pools have seen higher prepayments with an average monthly prepayment rate of ~3%. The pools are exposed to the inherent credit risk associated with the unsecured nature of the asset class. Also, its performance would remain exposed to any macro-economic shocks/business disruptions.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings in the transactions. ICRA will continue to monitor the performance of the transactions. Any further rating actions will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

**Performance of past rated pools:** ICRA has ratings outstanding on seven personal loan PTC transactions of DMI (one consumer loan PTC has matured). The live pools have shown a healthy cumulative collection efficiency of more than 98% and loss-cum90+ days past due (dpd) of sub-2.5%.

## Key rating assumptions

ICRA's cash flow modelling for the surveillance of 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 and rated pools 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 loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	PLUM I	4.00-5.00%	4.8-18.0% p.a.
2	PLUM II	3.00-4.00%	4.8-18.0% p.a.

## Liquidity position: Superior

For both the transactions, 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 transactions. Also, the cash flows from the pools and the available credit enhancement are expected to be highly comfortable to meet the promised payouts to PTC Series A1 investors.

## Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Sustained weak collection performance of the underlying pools leading to higher-than-expected delinquency levels and CE utilization levels.

## Analytical approach

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

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. Herein, DMI predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers (OEMs) and technology-driven aggregators. On a standalone basis, as on March 31, 2023, consumer loans accounted for 79% (62% as on March 31, 2022) of the Rs. 7,511-crore loan book with the wholesale real estate lending book accounting for a 16% share and the non-real estate wholesale loan book accounting for the balance.

## Key Financial Indicators (standalone)

Particular for	FY2020 (A)	FY2021 (A)	FY2022 (A)	FY2023 (A)
Total income (Rs. crore)	645	764	911	1,656
Profit After Tax (Rs. crore)	99	22	58	324
Gross loan book (Rs. crore)	3,725	3,655	5,432	7,511
Gross NPA %	4.6%	3.9%	2.2%	3.60%
Net NPA%	1.9%	1.5%	0.3%	1.50%

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	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
						November 27, 2023	January 30, 2023		
1	PLUM I	PTC Series A1	90.53	39.42	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(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	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					November 27, 2023	January 09, 2023	January 02, 2023		-
2	PLUM II	PTC Series A1	77.27	18.88	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)		-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM I	PTC Series A1	Moderately Complex
PLUM II	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**

ISIN	Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	PLUM I	PTC Series A1	December 2022	9.25%	June 2026	39.42	[ICRA]AAA(SO)
INE00CQ15013	PLUM II	PTC Series A1	December 2022	9.20%	May 2025	18.88	[ICRA]AAA(SO)

\*Scheduled maturity 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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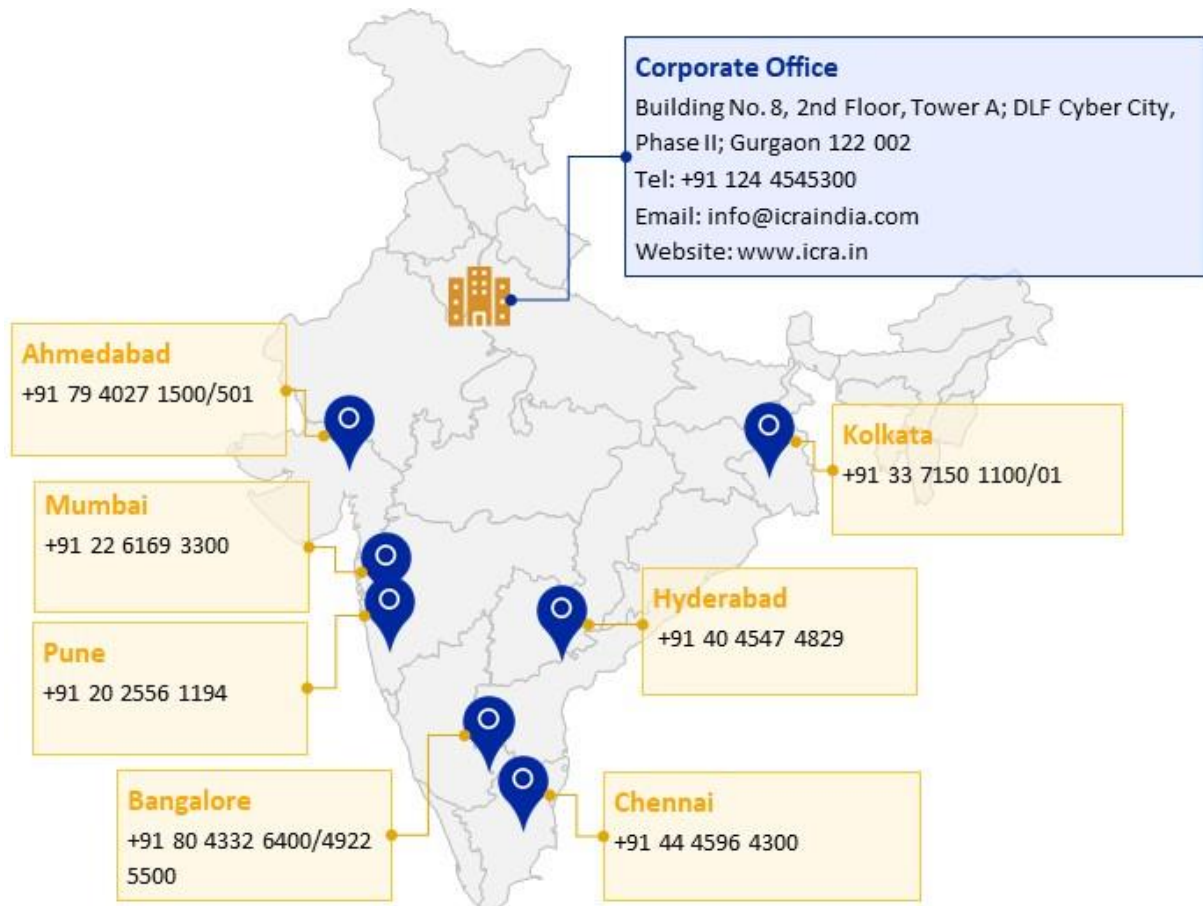
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