

January 09, 2024^(Revised)

NeoGrowth Credit Private Limited: Rating confirmed as final for PTC Series A1 backed by MSME business loan receivables issued by Pisces Trust 08 2022

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Pisces Trust 08 2022	PTC Series A1	29.41	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In September 2023, ICRA had assigned a Provisional [ICRA]A(SO) rating to PTC Series A1 issued by Pisces Trust 08 2022 under a securitisation transaction originated by NeoGrowth Credit Private Limited {NCPL; rated [ICRA]BBB (Stable)}. The PTCs are backed by a pool of Rs. Rs. 41.94 crore receivables (underlying pool principal outstanding of Rs. 33.42 crore) micro, small and medium enterprise (MSME) business loan receivables originated by NCPL. 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 December 2023 payout month is provided below.

Parameter	Pisces Trust 08 2022
Months post securitisation	3
Actual pool amortisation	15.40%
PTC Series A1 amortisation	22.49%
Average monthly prepayment rate	0.86%
Cumulative collection efficiency* ⁴	96.92%
Loss-cum 5+ dpd (% of initial pool principal) ¹	6.88%
Loss cum 30+ dpd (% of initial pool principal) ²	1.67%
Loss cum 90+ dpd (% of initial pool principal) ³	0.00%
Cumulative cash collateral utilisation	0.00%

*Calculation only for live contracts. ** Loss cum 0+ dpd is 13.42%.

Key rating drive

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 62.62% of the pool principal

¹Principal outstanding on contracts aged 5+ dpd / Principal outstanding on the pool at the time of securitisation

²Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

³Principal outstanding on contracts aged 180+ dpd / Principal outstanding on the pool at the time of securitisation

⁴Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

- 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

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables are assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A1, 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 A1 in the transaction is in the form of a subordination of 12.00% of the pool principal. Additionally, the EIS (19.00% of the pool principal initially, based on the indicated PTC yield, for PTC Series A1) available in the structure will provide CE support to the transaction. The EIS will not flow back to the originator and will instead be utilised towards accelerated principal amortisation after the promised and scheduled payouts to the PTCs. All prepayment amounts would be passed on to PTC Series A1 (till PTC Series A1 principal is not fully amortised) every month and future payouts will be revised accordingly. The CC of 3.00% of the initial pool principal (Rs. 1.00 crore), to be provided by NCPL, would act as further CE 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 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 62.62% of the pool principal. The pool consists of monthly paying loan contracts, with moderate weighted average seasoning (~5 months) and pre-securitisation amortisation (16.40%). 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.

Past rated pools performance: ICRA has rated 13 PTC transactions of NCPL, of which three have matured. The performance of the live pools (which have completed at least 2 months post securitisation) has been healthy with monthly collection efficiency of more than 95% and no CC utilisation till the November 2023 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 tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering 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 pool is estimated at 6.50-7.50% 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

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

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 CE.

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 CE utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of NCPL's portfolio till September 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	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 Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), FMO, Plenitude Ventures Private Limited 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	H1FY2024
	Audited	Audited	Audited	Provisional
Total income	313	363	383	270
Profit after tax	(42)	(39)	17	29
Total managed assets	1,323	1,559	1,852	2,298
Gross stage 3	6.4%	12.9%	4.3%	3.2%
Net stage 3	2.5%	5.1%	2.2%	1.5%

Source: Company data, 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	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jan 09, 2024	Sep 28, 2023			
1	Pisces Trust 08 2022	PTC Series A1	29.41	29.41	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

**Initial rating assigned*

Complexity level of the rated instrument

Instrument	Complexity Indicator
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
Pisces Trust 08 2022	PTC Series A1	September 2023	11.75%	September 2025	29.41	[ICRA]A(SO)

Source: Company

*Based on scheduled maturity of the pool contracts; may change on account of prepayment

Annexure II: List of entities considered for consolidated analysis

Not Applicable

Corrigendum:

Document dated 09th January 2024 has been corrected with the revision below:

1. Section where revision made:

Rationale on Page 3-In key financial indicators the year has been corrected to H1FY24 and Profit after tax number is changed to 29.

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sumit Pramanik

+91 22 6114 3400

sumit.pramanik@icraindia.com

Sheetal Nayak

+91 22 6114 3445

sheetal.nayak@icraindia.com

Tina Parekh

+91 22 6114 3455

tina.parekh@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6169 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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

ICRA Limited



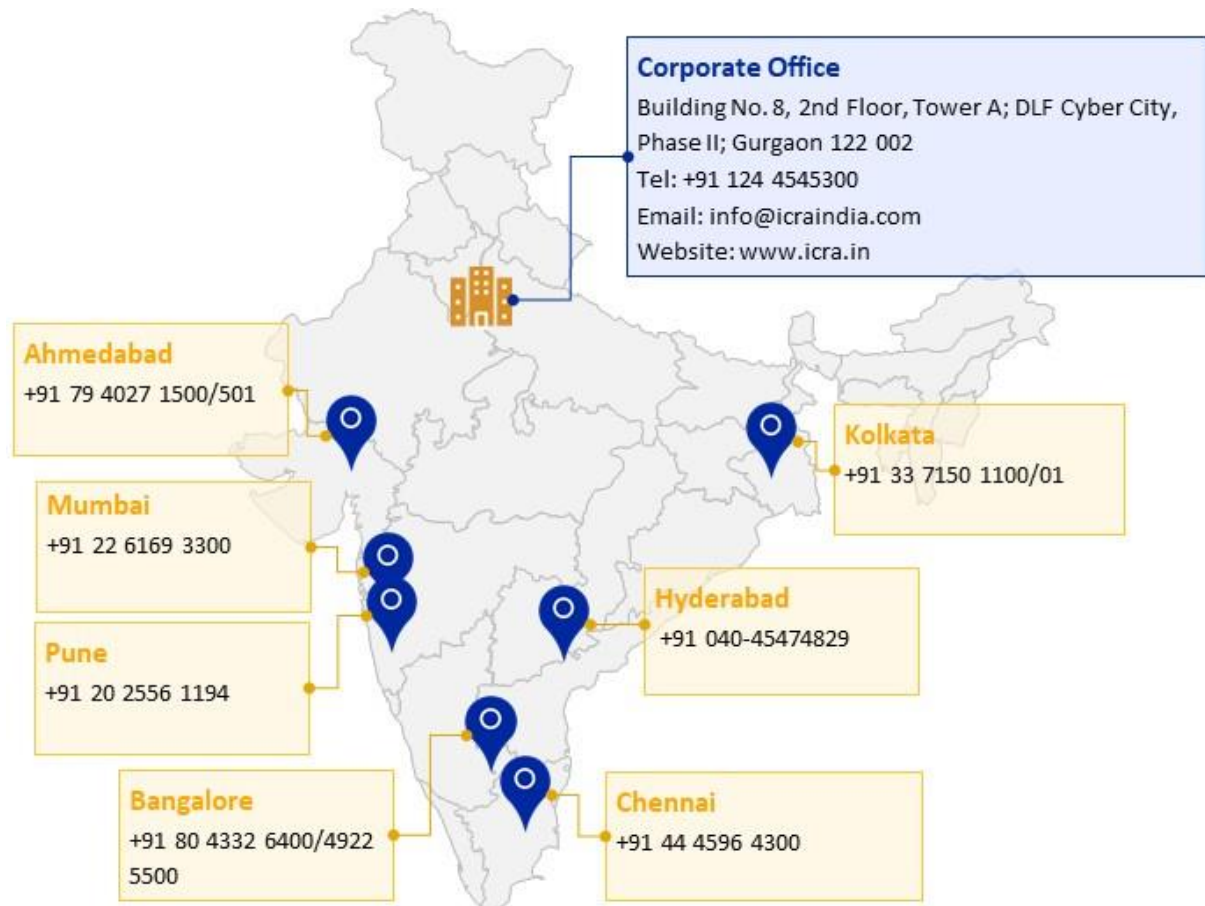
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 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 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.