

January 23, 2024

Protium Finance Limited: [ICRA]AA(SO) confirmed as final for SNs backed by secured MSME loan (LAP) and machinery loan receivables issued by Turiya BL – 2310

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. Crore)	Rating Action
Turiya BL – 2310	Series A1 SNs	51.35	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In November 2023, ICRA had assigned Provisional [ICRA]AA(SO) rating to Series A1 SNs issued under a securitisation transaction originated by Protium Finance Limited. The pass-through certificates (PTCs) are backed by a pool of Rs. 89.95-crore secured micro, small and medium enterprise (MSME) loan against property (LAP) loan and machinery loan receivables (underlying pool principal of Rs. 54.63 crore). 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 the pool after the January 2024 payout month has been provided below.

Parameter	Turiya BL – 2310
Months post securitisation	3
Pool amortisation	5.3%
Series A1 SN amortisation	6.6%
Cumulative collection efficiency	99.9%
Loss-cum-0+ dpd	0.4%
Loss cum 30+ dpd	0.0%
Loss cum 90+ dpd	0.0%
Cumulative Prepayment rate	1.8%
Cumulative cash collateral utilisation	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of CC, EIS and subordination
- There are no overdue contracts in the pool as on the cut-off date
- All the contracts have credit bureau score 700 and above as on cut off date

Credit challenges

- Moderate geographical concentration with top three states accounting for ~52% share in the initial pool principal
- SN yield for the pool is linked to an external benchmark while interest rate on the underlying loans is linked to the originator's lending rate, leading to basis risk in the structure
- Limited vintage has been observed since majority of the book building has happened in the last two years
- Performance of the pool would remain exposed to macro-economic shocks/business disruptions, if any

Description of key rating drivers highlighted above

As per the transaction structure, the monthly promised cash flow schedule comprises 94% of the monthly billed principal amount and the interest payment to Series A1 SNs at the predetermined interest rate on the principal outstanding. The balance principal payouts to Series A1 SNs are on expected basis. Payouts to equity tranche are completely subordinated to Series A1 SNs. Following the redemption of Series A1 SNs in full, the principal payment will be made to the equity tranche. The EIS available after meeting the promised payout to Series A1 SNs is being passed on as expected yield / EIS to equity tranche.

The first line of support for Series A1 SNs in the transaction is in the form of a subordination of 6.00% of the pool principal. A CC of 5.00% of the pool principal (Rs. 2.73 crore) provided by Protium Finance Limited acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised SN payouts during any month, the trustee will utilise the CC to meet the shortfall. Further, the support is available in the form of the EIS. If PAR-90 of the pool exceeds 4% of the original pool principal amount, then the EIS shall be utilized towards repayment of principal payout to Series A1 SNs till the SNs Series A1 are fully extinguished.

The underlying loans follow a monthly payment schedule. There were no overdues in the pool as on the cut-off date and none of the loans in the pool have been delinquent in the past 12 months till cut off date. The average pre-securitisation amortisation stood at ~11% as on the cut-off date. Further, all the contracts in the pool had a CIBIL score of atleast 700. The pool had moderate geographical concentration with the top 3 states (Karnataka, Maharashtra and West Bengal) contributing ~52% to the initial pool principal amount. The interest rate for the contracts in the pool is floating linked to Originator's lending rate while the SN yield is linked to an external benchmark, thereby creating a basis risk in the structure. The pool's performance would remain exposed to any macro-economic shocks/business disruptions.

Past rated pools' performance: Till date ICRA has rated four securitisation transactions backed by pool of secured loan receivables originated by PFL. The two pools have completed atleast 2 payouts till January 2024 and have shown healthy collection performance.

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 4.50-5.50%, 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 mean of 14.0%.

Liquidity position: Strong

The liquidity for SNs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – 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. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is 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 company

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

	FY2022 IND AS Audited	FY2023 IND AS Audited	H1 FY2024 IND AS Provisional
Total income	159.5	433.1	342.4
Profit after tax	14.0	63.1	55.4
Assets under management	1,415	2,908.1	4,037.2
Gross NPA	0.16%	0.65%	1.05%
Net NPA	0.04%	0.33%	0.53%

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	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years		
					Date & Rating		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jan 23, 2024	Nov 07, 2023			
1	Turiya BL – 2310	Series A1 SNs	51.35	51.35	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SNs	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 BL – 2310	Series A1 SNs	October 2023	8.95%	November 2034	51.35	[ICRA]AA(SO)

**linked to 1 year MCLR of investor **Scheduled maturity date at transaction initiation; may change on account of prepayments*

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.

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