

January 29, 2024

## Satin Creditcare Network Ltd.: Rating actions on PTCs issued under eight microfinance loan securitisation transactions

### Summary of rating action

Trust Name <sup>^</sup>	Instrument <sup>*</sup>	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
<b>Oceana 02 2022</b>	Series A1(a) PTC	22.92	NA	0.00	[ICRA]AA-(SO); withdrawn
	Series A1(b) PTC	2.15	NA	0.95	[ICRA]AAA(SO); upgraded from [ICRA]A-(SO)
<b>Oceana 04 2022</b>	Series A1 PTC	31.99	NA	0.35	[ICRA]AAA(SO); upgraded from [ICRA]A+(SO)
<b>Logitech August 2022</b>	Series A1 PTC	48.08	NA	7.07	[ICRA]AA-(SO); reaffirmed
<b>Trison 2022</b>	Series A1 PTC	26.72	NA	9.20	[ICRA]A-(SO); reaffirmed
<b>Nimbus 2022 MFI Bukharin</b>	Series A1 PTC	64.86	NA	9.97	[ICRA]AA(SO); reaffirmed
	Series A2 PTC	2.32	NA	1.98	[ICRA]A+(SO); reaffirmed
<b>Lotus 2022</b>	Series A1 PTC	64.19	NA	23.38	[ICRA]AA-(SO); reaffirmed
<b>Elk 09 2022</b>	Series A1 PTC	56.76	NA	0.00	[ICRA]AA-(SO); withdrawn
<b>Simba 09 2022</b>	Series A1 PTC	35.23	NA	0.00	[ICRA]A-(SO); withdrawn

<sup>^</sup> The trusts have been referred to as *Oceana 02*, *Oceana 04*, *Logitech*, *Trison*, *Bukharin*, *Lotus*, *Elk* and *Simba*, respectively, in this release

<sup>\*</sup>Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the ratings for the pass-through certificates (PTCs) issued under the securitisation transactions – Oceana 02 2022 and Oceana 04 2022, and reaffirmed the ratings for the PTCs issued under the other securitisation transactions. All the transactions are backed by pools of microfinance loan receivables originated by Satin Creditcare Network Ltd. {Satin; rated [ICRA]A (Stable)/[ICRA]A1}. The underlying pools have exhibited sustained healthy collections and low delinquencies. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in all the pools. The ratings upgrade for Oceana 02 2022 and Oceana 04 2022 is on account of the significant amortisation in the pools, which has led to the cash collateral (CC) covering the entire future PTC payouts.

ICRA has also withdrawn the outstanding ratings on Series A1(a) PTC of Oceana 02 and Series A1 PTCs of the Elk and Simba transactions. All the payouts to the investors in these instruments have been made and no further payments are due to the investors. The key rating drivers, liquidity position and rating sensitivities have not been captured as the ratings assigned to the instruments have been withdrawn. The previous detailed rating rationales are available at the following link:

For Oceana 02 2022: [Click Here](#)

For Elk 09 2022: [Click Here](#)

For Simba 09 2022: [Click Here](#)

A summary of the performance of the pools for live transactions till the November 2023 collection month (December 2023 payout) has been tabulated below.

#### Pool performance summary (till December 2023 payout month)

Particulars	Oceana 02	Oceana 04	Logitech	Trison	Bukharin	Lotus
Months post securitisation	15	14	15	12	12	12
Pool amortisation	84.18%	80.02%	82.08%	59.02%	60.15%	57.22%
Series A1 PTC amortisation	100.00%	98.89%	85.29%	65.58%	84.62%	63.58%
Cumulative collection efficiency <sup>1</sup>	98.39%	98.60%	97.92%	98.70%	98.95%	97.47%
Loss-cum-30+ dpd <sup>2</sup> (% of initial pool)	0.63%	0.75%	0.98%	0.87%	1.03%	2.09%
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	0.37%	0.41%	0.62%	0.54%	0.71%	1.21%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative prepayment rate	29.14%	33.03%	21.95%	15.45%	16.41%	15.39%
Breakeven collection efficiency <sup>4</sup> for Series A1 PTC	NM	NM	NM	60.86%	16.83%	45.79%
CC (% of balance pool)	31.61%	40.03%	NM	12.20%	21.33%	29.22%
Principal subordination (% of balance pool) for Series A1 PTC	NM	95.02%	21.24%	24.40%	67.58%	23.38%
Excess interest spread (EIS <sup>5</sup> ; % of balance pool) for Series A1 PTC	NM	5.98%	3.74%	5.86%	7.91%	6.31%

#### Reset of credit enhancement

At the request of Satin for resetting the credit enhancement (CE) for four transactions, viz. Logitech, Trison, Nimbus and Lotus, ICRA has analysed these transactions basis the CC mentioned as per the table provided below.

Particulars	Logitech	Trison	Bukharin	Lotus
Current CC outstanding (% of balance pool)	10.02 (111.58%)	1.48 (12.20%)	6.56 (21.33%)	8.92 (29.22%)
CC required as per ICRA for maintaining the present rating (% of balance pool)	3.01 (33.47%)	0.45 (3.66%)	1.31 (4.27%)	2.67 (8.77%)

Amount in Rs. crore

Based on the pools' performance, the ratings for these transactions will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount required by ICRA.

#### Credit strengths

- For the Oceana 02 and Oceana 04 transactions, significant amortisation of the pools with no CC utilisation resulting in CC covering entire future PTC payouts
  - For other transactions, high amortisation of PTCs resulting in build-up of CE cover available for the balance PTC payouts
  - Healthy collections and low delinquencies observed in the pools

<sup>1</sup> (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

<sup>2</sup> Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal

<sup>3</sup> Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

<sup>4</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

<sup>5</sup> (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

### Credit challenges

- Performance of pools would remain exposed to natural calamities that may impact the income-generating capability of the borrower, given the marginal borrower profile; further, pools' performance would be exposed to political and communal risks
- Performance of the pools would remain exposed to macro-economic shocks/business disruptions

### Description of key rating drivers highlighted above

The performance of the pools has been healthy with a cumulative collection efficiency of more than 97% as of the December 2023 payout month. The loss-cum-30+ days past due (dpd) was below 2.5% as of the December 2023 payout month. There has been no CC utilisation in any of the transactions till date. Healthy collections and high pool amortisation have led to significant build-up of the CE in the pools and the breakeven collection efficiency for the pools is much lower than the collection levels observed. The average monthly prepayment rate for the pools is moderate in the range of 1.4% - 2.8%. For the Oceana 02 and Oceana 04 transactions, CC is covering entire future PTC payouts. For other transactions, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the ratings with respect to the current rating levels for the transaction. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

The pools' performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, the performance would also be exposed to natural calamities and political and communal risks.

**Past rated pools' performance:** ICRA has live ratings on 22 securitisation transactions backed by microfinance loan receivables for Satin. The live pools, which have completed at least three payouts, reported healthy collections with nil CC utilisation up to the December 2023 payouts.

### 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.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools, except for Oceana 02 and Oceana 04, are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Logitech August 2022	2.00-3.00%	2.40-9.00% p.a.
2	Trison 2022	2.25-3.25%	2.40-9.00% p.a.
3	Nimbus 2022 MFI Bukharin	2.00-3.00%	2.40-9.00% p.a.
4	Lotus 2022	3.50-4.50%	2.40-9.00% p.a.

### Liquidity position

**For Oceana 02, Oceana 04, Logitech, Bukharin and Lotus transactions:** The liquidity of the Oceana 02 and Oceana 04 transactions is superior as the available CC covers the future PTC investor payouts. The liquidity for the PTC instruments in the Logitech, Bukharin and Lotus transactions is also superior after factoring in the CE available to meet the promised payouts to the investors. The total CE would be exceed 9.00 times the estimated loss in these pools.

**For Trison transaction:** The liquidity for the PTC instruments in the Trison transaction is strong after factoring in the CE available to meet the promised payouts to the investors. The total CE would be 5.75 times the estimated loss in the pool.

## Rating sensitivities

### Positive factors

**For Logitech, Trison, Bukharin and Lotus transactions:** The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the CE would result in a rating upgrade.

### Negative factors

**For Oceana 02 and Oceana 04 transactions:** The rating is unlikely to be downgraded as the CC covers the future PTC payouts.

**For other transactions:** 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 ratings.

## Analytical approach

The rating action is based on the performance of the pools till November 2023 (collection month), the present delinquency levels and 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> <a href="#">ICRA's Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

Satin, set up in 1990 to grant individual business loans to urban shopkeepers, started providing group lending services to the rural poor in 2008. It was registered with the Reserve Bank of India (RBI) as a deposit-taking non-banking financial company (NBFC) under the name, Satin Leasing and Finance Company Limited. Following its conversion into a public limited company in 1994, the company was renamed Satin Creditcare Network Ltd. in 2000. It stopped accepting public deposits from November 2004 and the RBI changed its classification to Category B (non-deposit taking) from Category A (deposit-taking) in February 2009 and converted it into an NBFC-microfinance institution (NBFC-MFI) in November 2013. The company's microfinance operations are based on the Grameen Bank joint liability group (JLG) model and were spread across 1,115 branches in the country as on September 30, 2023 on a standalone basis and 1,335 branches for the Group as a whole.

As on September 30, 2023, its consolidated assets under management (AUM) stood at Rs. 10,100 crore. On a consolidated basis, it reported a net profit of Rs. 195 crore in H1 FY2024 (total comprehensive income (TCI) of Rs. 184 crore) against Rs. 5 crore in FY2023 (TCI of negative Rs. 16 crore).

### Key financial indicators

Consolidated	FY2022	FY2023	H1 FY2024
	Audited	Audited	Provisional
<b>Total income</b>	1,381	1,559	997
<b>Profit after tax</b>	21	5	195
<b>Total managed assets</b>	7,617	9,115	10,100
<b>Gross stage 3</b>	8.0%	3.3%	2.4%
<b>Net stage 3</b>	2.4%	1.5%	1.0%

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	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial 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 29, 2024	Jan 16, 2023	Oct 04, 2022	-	-
1	Oceana 02 2022	Series A1(a) PTC	22.92	0.00	[ICRA]AA-(SO); Withdrawn	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-
		Series A1(b) PTC	2.15	0.95	[ICRA]AAA(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(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 in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jan 29, 2024	Feb 10, 2023	Nov 18, 2022	-	-
2	Oceana 04 2022	Series A1 PTC	31.99	0.35	[ICRA]AAA(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(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 in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jan 29, 2024	Jan 16, 2023	Oct 06, 2022	-	-
3	Logitech August 2022	Series A1 PTC	48.08	7.07	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial 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 29, 2024	Apr 24, 2023	Dec 30, 2022	-	-
4	Trison 2022	Series A1 PTC	26.72	9.20	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
			Initial 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 29, 2024	Mar 13, 2023	Jan 05, 2023	-	-	
5	Nimbus 2022 MFI Bukharin	Series A1 PTC	64.86	9.97	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	
		Series A2 PTC	2.32	1.98	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial 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 29, 2024	May 22, 2023	Jan 05, 2023	-	-
6	Lotus 2022	Series A1 PTC	64.19	23.38	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in 2024		Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jan 29, 2024	Feb 10, 2023	Oct 18, 2022	-	-	
7	Elk 09 2022	Series A1 PTC	56.76	0.00	[ICRA]AA-(SO) Withdrawn	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in 2024		Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jan 29, 2024	Jan 16, 2023	Oct 06, 2022	-	-	
8	Simba 09 2022	Series A1 PTC	35.23	0.00	[ICRA]A-(SO) Withdrawn	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	

## Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
<b>Oceana 02 2022</b>	Series A1(a) PTC	Moderately Complex
	Series A1(b) PTC	Moderately Complex
<b>Oceana 04 2022</b>	Series A1 PTC	Moderately Complex
<b>Logitech August 2022</b>	Series A1 PTC	Moderately Complex
<b>Trison 2022</b>	Series A1 PTC	Moderately Complex
<b>Nimbus 2022 MFI Bukharin</b>	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
<b>Lotus 2022</b>	Series A1 PTC	Moderately Complex
<b>Elk 09 2022</b>	Series A1 PTC	Moderately Complex
<b>Simba 09 2022</b>	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
<b>Oceana 02 2022</b>	<b>Series A1(a) PTC</b>	September 2022	12.09%	May 2024	0.00	[ICRA]AA-(SO); Withdrawn
	<b>Series A1(b) PTC</b>	September 2022	14.00%	May 2024	0.95	[ICRA]AAA(SO)
<b>Oceana 04 2022</b>	<b>Series A1 PTC</b>	November 2022	11.50%	August 2024	0.35	[ICRA]AAA(SO)
<b>Logitech August 2022</b>	<b>Series A1 PTC</b>	September 2022	10.00%	June 2024	7.07	[ICRA]AA-(SO)
<b>Trison 2022</b>	<b>Series A1 PTC</b>	December 2022	11.00%	September 2024	9.20	[ICRA]A-(SO)
<b>Nimbus 2022 MFI Bukharin</b>	<b>Series A1 PTC</b>	December 2022	10.25%	September 2024	9.97	[ICRA]AA(SO)
	<b>Series A2 PTC</b>		13.00%		1.98	[ICRA]A+(SO)
<b>Lotus 2022</b>	<b>Series A1 PTC</b>	December 2022	10.50%	September 2024	23.38	[ICRA]AA-(SO)
<b>Elk 09 2022</b>	<b>Series A1 PTC</b>	October 2022	10.00%	July 2024	0.00	[ICRA]AA-(SO); Withdrawn
<b>Simba 09 2022</b>	<b>Series A1 PTC</b>	September 2022	11.00%	July 2024	0.00	[ICRA]A-(SO); Withdrawn

\* 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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