

February 22, 2024

Spandana Sphoorty Financial Limited: Ratings upgraded for PTCs issued under microfinance loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Jan-24 Payout (Rs. crore)	Rating Action
NIMBUS 2022 MFI Bucky	PTC Series A1	73.98	NA	13.80	[ICRA]AAA(SO); Upgraded from [ICRA]A+(SO)
Cricket 12 2022	PTC Series A1	52.68	NA	6.32	[ICRA]AAA(SO); Upgraded from [ICRA]A-(SO)

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the ratings for the pass-through certificates (PTCs) issued under the securitisation transactions, NIMBUS 2022 MFI Bucky and Cricket 12 2022, backed by pools of microfinance loan receivables originated by Spandana Sphoorty Financial Limited {SSFL; rated [ICRA]A (Positive)}. The ratings have been upgraded on account of the high amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection levels observed in the pools till the January 2024 payout month.

Pool performance summary

A summary of the performance of the pools till the December 2023 collection month (January 2024 payout) is tabulated below.

Parameter	NIMBUS 2022 MFI Bucky	Cricket 12 2022
Months post securitisation	13	13
Pool amortisation	71.12%	79.14%
PTC Series A1 amortisation	81.35%	88.01%
Cumulative collection efficiency ¹	98.68%	98.89%
Cumulative prepayment rate	11.07%	13.74%
Loss-cum-30+ dpd ² (% of initial pool)	1.67%	1.26%
Loss-cum-90+ dpd ³ (% of initial pool)	1.13%	0.82%
Cumulative credit collateral (CC) utilisation	0.00%	0.00%
CC available (as % of balance pool)	25.10%	19.17%
Excess interest spread (EIS ⁴ ; % of balance pool)	5.67%	4.82%
Principal subordination (% of balance pool) PTC Series A1	43.49%	48.26%
Breakeven collection efficiency ⁵ for PTC Series A1	30.47%	31.58%

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

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

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

⁴ (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

Key rating drivers

Credit strengths

- High amortisation of pools, resulting in build-up of credit enhancement cover available for the balance PTC payouts
- Healthy collections and low delinquencies observed in the pools

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, performance of pools would also be exposed to political and communal risks
- Performance of the pools would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

The performance of the pools has been healthy with a cumulative collection efficiency of more than 98.6% as of the January 2024 payout month. The monthly collection efficiency has exceeded 96% in all the months post securitisation. The loss-cum-90+ days past due (dpd) has been low and stood at 1.1% for the Bucky pool and 0.8% for the Cricket pool as of the January 2024 payout month. There has been no cash collateral (CC) utilisation in the transactions till date in any of the payouts. Strong collections and healthy pool amortisation of ~71% and ~79%, respectively, for the Bucky and Cricket pools have led to significant build-up of the CE and low breakeven collection efficiency. While the credit collateral for the Cricket pool is split into the CC and the corporate guarantee from the originator, the CE, excluding the corporate guarantee, has also built up significantly. The average monthly prepayment rate is lower at 0.9-1.1% for the pools. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings to the current level in the transactions. 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.

Performance of past rated pools: In the past, ICRA has rated 43 microfinance loan receivable pools originated by SSFL. For the live pools, there has been no CC utilisation till date, with a cumulative collection efficiency of more than 98% and a loss-cum-90+ dpd of less than 2.0% as of the January 2024 payout month.

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	NIMBUS 2022 MFI Bucky	1.25-2.25%	3.0-9.0% p.a.
2	Cricket 12 2022	0.75-1.25%	3.0-9.0% p.a.

Liquidity position: Superior

The liquidity for the PTC instruments is superior after factoring in the CE available to meet the promised payouts to the investors. The total CE is greater than 10 times the estimated losses for the pools.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a ratings 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 performance of the pools till December 2023 (collection month), the present delinquency profile of the pool, the CE available in the transaction, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Spandana Sphoorty Financial Limited (SSFL) was incorporated in 2003 as a non-banking financial company (NBFC) and it took over the microfinance operations of Spandana, a non-governmental organisation, which was started in 1998. The company was classified as an NBFC-microfinance institution (NBFC-MFI) in 2015. Following the microfinance crisis in Andhra Pradesh (AP), the company entered into a master restructuring agreement (MRA) as a part of the corporate debt restructuring (CDR) with its lenders in September 2011. It exited the CDR in April 2017 after an equity investment led by Kedaara Capital Investment Managers Limited (Kedaara Capital) and fresh funding from three banks. SSFL completed its initial public offering (IPO) in August 2019. The current leadership team is led by Mr. Shalabh Saxena (Managing Director & Chief Executive Officer) and Mr. Ashish Damani (President & Chief Financial Officer). The company has a 10-member board of directors, including 5 independent directors.

Key financial indicators

Standalone	FY2022	FY2023	H1 FY2024
Total income	1,350.8	1,355.8	1,105.1
Profit after tax	46.6	12.3	227.4
Total managed assets	7,985.5	9,933.3	11,862.1
Gross stage 3	18.9%	1.9%	1.3%
Net stage 3	11.5%	0.6%	0.4%

Source: Company data, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations

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
						February 22, 2024	February 23, 2023	January 04, 2023		
1	NIMBUS 2022 MFI Bucky	PTC Series A1	73.98	13.80	[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	Date & Rating in FY2023			Date & Rating in FY2022	Date & Rating in FY2021
						February 22, 2024	February 09, 2023	January 05, 2023		
2	Cricket 12 2022	PTC Series A1	52.68	6.32	[ICRA]AAA(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
NIMBUS 2022 MFI Bucky	PTC Series A1	Moderately Complex
Cricket 12 2022	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 Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Rating
NIMBUS 2022 MFI Bucky	PTC Series A1	December 2022	10.50%	September 2024	13.80	[ICRA]AAA(SO)
Cricket 12 2022	PTC Series A1	December 2022	11.00%	August 2024	6.32	[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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Diptajyoti Banik

+91 22 6114 3412

diptajyoti.banik@icraindia.com

Alwin Thankachan

+91 22 6114 3411

alwin.thankachan@icraindia.com

RELATIONSHIP CONTACT

Mr. 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.