

February 22, 2024

## DMI Finance Private Limited: Rating upgraded for PTCs issued under a personal loan securitisation transaction

### 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
PLUM III	PTC Series A1	149.12	NA	61.30	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by pool of personal loan receivables originated by DMI Finance Private Limited (DMI; rated [ICRA]AA(Stable)/[ICRA]A1+). The rating has 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 rating also draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool 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) has been tabulated below.

Parameter	PLUM III
Months post securitisation	10
Pool amortisation	51.80%
PTC Series A1 amortisation	58.90%
Cumulative collection efficiency <sup>1</sup>	101.18%
Cumulative prepayment rate	24.26%
Loss-cum-30+ (% of initial pool principal) <sup>2</sup>	4.72%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	2.78%
Cumulative CC utilisation	0.00%
CC available (as % of balance pool)	16.60%
Excess Interest Spread (EIS) over balance tenure (as % of balance pool)	13.16%
Principal subordination (% of balance pool) PTC A1	24.96%
Breakeven collection efficiency <sup>4</sup>	53.44%

<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.

### 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 the pool has been above 101% as on January 2024 payout. The loss-cum-90+ days past due (dpd) is at 2.8% for the pool as on January 2024 payout month. There has been an increase in delinquencies in the pool in the last few months due to a dip in monthly collections. The dip in collections is attributed to lower collections from overdue contracts which has led to some roll forward of delinquencies as is expected given the unsecured nature of the loans in the pool. 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 the pool. Further, due to the significant amortisation of the pool, there has been a significant build-up in the CE for the balance tenure of the PTC payouts. The pool has seen higher prepayments with an average monthly prepayment rate of ~2.7%. The pool is 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 rating in the transaction. ICRA will continue to monitor the performance of the transaction. Any further rating actions will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

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

## 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 mean shortfall in principal collection during the tenure of the pool is estimated at 4.25-5.25% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 6.0-18.0% per annum.

## Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Sustained weak collection performance of the underlying pool leading to higher than expected delinquency levels and CE utilization 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 performance of the pool till December 2023 (collection month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

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.

#### EXHIBIT 1: 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

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
				Feb 22, 2024	Apr 27, 2023			
PLUM III	PTC Series A1	149.12	61.30	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)		-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM III	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 III	PTC Series A1	March 2023	9.35%	August 2026	61.30	[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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## 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](http://www.icra.in)

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