

March 19, 2024

Keertana Finserv Private Limited: Ratings confirmed as final for PTCs backed by microfinance loan receivables issued by Mirzam 12 23

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Mirzam 12 23	Series A1(a) PTCs	25.66	[ICRA]A+(SO); provisional rating confirmed as final
	Series A1(b) PTCs	2.85	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In January 2024, ICRA had assigned a Provisional [ICRA]A+(SO) and Provisional [ICRA]A-(SO) rating to Series A1(a) PTCs and Series A1(b) PTCs, respectively, issued by Mirzam 12 23. The pass-through certificates (PTCs) are backed by a pool of Rs. 40.44 crore microfinance loan receivables (underlying pool principal of Rs. 32.59 crore) originated by Keertana Finserv Private Limited (Keertana/originator; {[ICRA]BBB(Stable)}/[ICRA]A3+). 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 pool's performance after the February 2024 payouts is shown in the table below.

Parameter	Mirzam 12 23
Months post securitisation	1
Pool amortisation	4.2%
Series A1(a) PTC Amortisation	5.4%
Series A1(b) PTC Amortisation	0.0%
Monthly Collection Efficiency	100.0%
Cumulative collection efficiency	100.0%
Cumulative Prepayment rate	0.2%
Loss-cum-0+ dpd	0.0%
Loss-cum-30+ dpd	0.0%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS, over-collateralisation and CC
- None of the contracts in the pool are delinquent as on cut off date and have never been delinquent since origination till cut off date.
- Average seasoning of ~4 months and average pre-securitisation amortisation of ~14% as on the cut-off date

Credit challenges

- High geographical concentration with top state contributing around 84% of the initial pool principal

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

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC investors. The collections from the pool will be used to make the promised interest payouts (at the predetermined yield and on pari-passu basis to the holders of Series A1(a) PTCs and Series A1(b) PTCs on the outstanding PTC principal) on each payout date. The final maturity date is September 10, 2025 for Series A1(a) PTCs and September 11, 2025 for Series A1(b) PTCs.

Till June 10, 2025, the collections from the pool, on each payout date, will be used for making the promised interest payouts to the Series A1 PTC investors (i.e. interest at predetermined yield to be paid to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis). After making the promised interest payouts, the collections will be used to make the expected principal payouts to Series A1(a) PTCs till its redemption followed by the expected principal payouts to Series A1(b) PTCs. The entire principal repayment to Series A1(a) PTCs and Series A1(b) PTCs is promised on the scheduled maturity date of the respective tranches.

From June 10, 2025 till the final maturity date, the collections from the pool will be used for making the promised interest payouts to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis. After making the promised interest payouts, the collections will be utilised for the expected principal payout i.e., redemption of Series A1(a) and A1(b) PTC on a pari-passu basis. The EIS available after meeting the expected and promised PTC payments will flow back to the originator on a monthly basis.

The first line of support for Series A1(a) PTCs in the transaction is in the form of a principal subordination of 21.25% of the initial pool principal (includes the principal payable to Series A1(b) PTCs and overcollateralisation). After Series A1(a) PTCs has been fully paid, over-collateralisation of 12.50% of the initial pool principal would be available for Series A1(b) PTCs. Further credit support is available in the form of the EIS of 14.94% of the initial pool principal for Series A1(a) PTCs and Series A1(b) PTCs. A CC of 5.00% of the initial pool principal (Rs. 1.63 crore), to be provided by Keertana, 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 were no overdue in the pool as on the cut-off date. The pool had average pre-securitisation amortisation of 13.8% and weighted average seasoning of ~4 months as on the cut-off date. It had high geographical concentration with the top 5 districts accounting for ~56% and top state accounting for ~84% of the initial pool principal amount. The pool's performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, its performance would also be exposed to natural calamities and political and communal risks, if any.

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 4.25-5.25% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pools estimated at 3.0-9.0% per annum (with a mean of 6.0%).

Liquidity position:

Superior for Series A1(a) PTC

The liquidity for Series A1(a) PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7.25 times the estimated loss in the pool.

Strong for Series A1(b) PTC

The liquidity for Series A1(a) PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – 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 credit enhancement 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 credit enhancement 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 originator

Keertana Finserv Private Limited (Keertana/KFPL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Keertana's AUM stood at Rs. 1,204.2 crore through 304 branches (249 operational) as of December 2023. Gold loans and JLG contributed 44% each to the AUM while MSME and LAP accounted for 7% and 5%, respectively, as of December 2023. Keertana reported a net profit of Rs. 16.0 crore on a managed asset base of Rs. 700.6 crore in FY2023 compared with a net profit of Rs. 0.2 crore on a managed asset base of Rs. 2.8 crore in FY2022. It reported a provisional net profit of Rs. 52.2 crore on a managed asset base of Rs. 1,549.1 crore in 9M FY2024

Key financial indicators

Keertana – Standalone	IGAAP	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2022	FY2023	9MFY2024
Total income	0.3	91.8	187.2
Profit after tax	0.2	16.0	52.2
Total managed assets	2.8	700.6	1,549.1
Gross Stage 3	0.0%	0.0%	0.0%
CRAR	144.5%	26.0%	27.0%

Source: Company, 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	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Mar 19, 2024	Jan 04, 2024			
Mirzam 12 23	Series A1(a) PTCs	25.66	25.66	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-
	Series A1(b) PTCs	2.85	2.85	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)			

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a) PTCs	Moderately Complex
Series A1(b) 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
Mirzam 12 23	Series A1(a) PTCs	December 2023	13.10%	September 10, 2025	25.66	[ICRA]A+(SO)
	Series A1(b) PTCs	December 2023	14.60%	September 11, 2025	2.85	[ICRA]A-(SO)

*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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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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