

March 26, 2024

Satin Creditcare Network Limited: Rating actions on PTCs issued under microfinance loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 MFI Donetsk	Series A1 PTC	41.00	NA	0.00	[ICRA]AA-(SO); withdrawn
	Series A2 PTC	1.00	NA	0.48	[ICRA]AAA(SO); upgraded from [ICRA]A(SO)

*Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the rating for the Series A2 pass-through certificates (PTCs) issued under the transaction backed by a pool of microfinance loan receivables originated by Satin Creditcare Network Limited {Satin; rated [ICRA]A (Stable)/[ICRA]A1}. The underlying pool has exhibited sustained healthy collections and low delinquencies. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pool. The rating upgrade is on account of the significant amortisation in the pool, which has led to the cash collateral (CC) covering the entire future PTC payouts.

ICRA has also withdrawn the outstanding rating on Series A1 PTC. All the payouts to the investors in this instrument 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liquidity position and rating sensitivities have not been captured as the rating assigned to the instrument has been withdrawn. The previous detailed rating rationale is available at the following link: [Click Here](#)

A summary of the performance of the pool till the February 2024 collection month (March 2024 payout) has been tabulated below.

Pool performance summary

Particulars	Nimbus 2022 MFI Donetsk
Months post securitisation	15
Pool amortisation	78.12%
Series A1 PTC amortisation	100.00%
Series A2 PTC amortisation	52.20%
Cumulative collection efficiency ¹	97.90%
Loss-cum-30+ dpd ² (% of initial pool)	1.23%
Loss-cum-90+ dpd ³ (% of initial pool)	0.89%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	25.37%
Breakeven collection efficiency ⁴ for Series A2 PTC	NM
CC (% of balance pool)	38.84%
Principal subordination (% of balance pool) for Series A2 PTC	95.30%

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

Particulars	Nimbus 2022 MFI Donetsk
Excess interest spread (EIS ⁵ ; % of balance pool) for Series A2 PTC	5.66%

Credit strengths

- Significant amortisation of the pool with no CC utilisation, resulting in CC covering the entire future PTC payouts

Credit challenges

- Not applicable

Description of key rating drivers highlighted above

The performance of the pool has been strong with a cumulative collection efficiency of more than 97%, post the March 2024 payouts. As the entire principal on the PTCs is promised on the final maturity date and given the healthy collections in the pool, there has been no instance of CC utilisation. Delinquencies have remained low in the pool with a loss-cum-90+ days past due (dpd) of sub-1.0% on account of healthy collections. As the pool is highly amortised, there has been significant build-up in the CC and subordination cover for the balance PTC payouts. Overall, the credit enhancement available for meeting the balance payouts to the investor is highly comfortable to upgrade the rating for the PTC.

ICRA will continue to monitor the performance of the transaction. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations. Notwithstanding the improvement in collections in recent months, ICRA notes that 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.

Past rated pools' performance: ICRA has live ratings on 21 securitisation transactions backed by microfinance loan receivables for Satin. The live pools have reported healthy collections with nil CC utilisation up to the February 2024 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.

Liquidity position: Superior

The CC available covers the future PTC investor payouts.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating is unlikely to be downgraded as the CC is covering the future PTC payouts.

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

Analytical approach

The rating action is based on the performance of the pool till February 2024 (collection month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions ICRA's Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Satin, which was set up in 1990 to provide 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 Limited 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 1,165 branches in the country, as on December 31, 2023, on a standalone basis and 1,386 branches for the Group on a consolidated basis.

As on December 31, 2023, the company's consolidated assets under management (AUM) stood at Rs. 10,408 crore. On a consolidated basis, it reported a net profit of Rs. 308 crore in 9M FY2024 (total comprehensive income (TCI) of Rs. 307 crore) against Rs. 5 crore in FY2023 (TCI of negative Rs. 16 crore).

Key financial indicators

Consolidated	FY2022	FY2023	9M FY2024
	Audited	Audited	Audited
Total income	1,381	1,559	1,594
Profit after tax	21	5	308
Gross loan portfolio	7,617	9,115	10,408
Gross stage 3	7.5%	3.1%	2.4%
CRAR*	27.8%	26.6%	28.7%

Source: Company data, ICRA Research; Amount in Rs. crore

*CRAR on standalone basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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	
					Mar 26, 2024		Mar 13, 2023	Jan 05, 2023	-	
1	Nimbus 2022 MFI Donetsk	Series A1 PTC	41.00	0.00	[ICRA]AA-(SO); Withdrawn		[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-
		Series A2 PTC	1.00	0.48	[ICRA]AAA(SO)		[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2022 MFI Donetsk	Series A1 PTC	Moderately Complex
	Series A2 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
Nimbus 2022 MFI Donetsk	Series A1 PTC	December 2022	10.60%	September 2024	0.00	[ICRA]AA-(SO); Withdrawn
	Series A2 PTC		13.00%		0.48	[ICRA]AAA(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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

Alwin Thankachan

+91 22 6114 3411

alwin.thankachan@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivkumar@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.