

April 01, 2024

NeoGrowth Credit Private Limited: Rating confirmed as final for PTCs backed by MSME business loan receivables issued by Bhaskara-1 Trust January 2024

Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|-------------------------------|---------------|----------------------------------|----------------------------------------------------|
| Bhaskara-1 Trust January 2024 | PTC Series A1 | 29.84 | [ICRA]A(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure I

Rationale

In January 2024, ICRA had assigned a Provisional rating to the pass-through certificates (PTCs) Series A1 issued by Bhaskara-1 Trust January 2024 under a securitisation transaction originated by NeoGrowth Credit Private Limited {NCPL/originator; rated [ICRA]BBB+ (Stable)}. The PTCs are backed by a pool of micro, small and medium enterprise (MSME) business loan receivables originated by NCPL with an aggregate principal outstanding of Rs 33.91-crore (pool receivables of Rs 42.90-crore). 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 performance of the pool after the February 2024 payout month has been provided below.

| Parameter | Bhaskara-1 Trust January 2024 |
|-------------------------------------------------------------|-------------------------------|
| Months post securitisation | 1 |
| Actual pool amortisation | 5.06% |
| PTC Series A1 amortisation | 5.75% |
| Cumulative collection efficiency ¹ | 97.65%* |
| Loss-cum-0+ dpd (% of initial pool principal) ² | 1.93% |
| Loss cum 30+ dpd (% of initial pool principal) ³ | 0.00% |
| Loss cum 90+ dpd (% of initial pool principal) ⁴ | 0.00% |
| Average monthly prepayment rate | 0.83% |
| Cumulative credit collateral utilisation | 0.0% |

*Calculation only for live contracts

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, subordination and CC
- No overdue contracts as on the pool cut-off date

Credit challenges

- High geographical concentration in the pool with top 3 states accounting for ~63% of the pool principal
- Exposed to inherent credit risk associated with the unsecured nature of the underlying asset class; performance of the pool would remain exposed to macro-economic shocks/business disruptions

¹Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

²Principal outstanding on contracts aged 0+ dpd / Pool principal outstanding at the time of securitisation

³Principal outstanding on contracts aged 30+ dpd / Pool principal outstanding at the time of securitisation

⁴Principal outstanding on contracts aged 90+ dpd / Pool principal outstanding at the time of securitisation

Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables have been assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A1, on a monthly basis, will comprise the interest at the predetermined yield on the outstanding PTC principal on each payout date and the entire principal on the final maturity date.

The first line of support for PTC Series A1 in the transaction is in the form of a subordination of 12.00% of the initial pool principal (equity tranche of 3% and over-collateralisation of 9.00% of the initial pool principal). Additionally, the EIS (18.40% of the pool principal initially, based on the indicated PTC yield, for PTC Series A1) available in the structure will provide CE support to the transaction. The surplus EIS available, after meeting the promised payouts to the PTCs, shall flow back to the originator on every payout. All prepayment amounts would be passed on to PTC Series A1 (till PTC Series A1 principal is not fully amortised) every month and future payouts will be revised accordingly. The CC of 4.00% of the initial pool principal (Rs. 1.36 crore), provided by NCPL, would act as further CE in the transaction. The trustee will utilise the CC to meet any shortfall in the promised PTC payouts during any month.

There were no overdues in the pool as on the cut-off date. The geographical concentration of the loan contracts in the current pool is high with the top 3 states constituting ~63% of the pool principal. The pool consists of daily, fortnightly, and monthly paying loan contracts, with moderate weighted average seasoning (5.07 months) and pre-securitisation amortisation (20.36%). Further, the CIBIL score of almost all the contracts is above 700. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

Past rated pools performance: ICRA has rated 22 PTC transactions of NCPL, of which three have matured. The performance of the live pools, which have completed at least 3 months post securitisation, has been healthy with a monthly collection efficiency of more than ~90% and no CC utilisation till the February 2024 payout.

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 6.50-7.50% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated in the range of 4.80-18.0% per annum.

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (>95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation 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 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

NeoGrowth Credit Private Limited (NCPL) is a non-deposit taking systemically important non-banking financial company, which started operations in FY2013. It was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), FMO, Plenitude Ventures Private Limited and IIFL Seed Ventures Fund. Before setting up NCPL, the founders had established and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and those with whom merchants have a point-of-sales terminal. The founders divested their stake in the company in 2010.

Key financial indicators (Audited)

| NeoGrowth Credit Private Limited | FY2021 | FY2022 | FY2023 | 9MFY2024 |
|----------------------------------|---------|---------|---------|-------------|
| | Audited | Audited | Audited | Provisional |
| Total income | 313 | 363 | 383 | 429 |
| Profit after tax | (42) | (39) | 17 | 50 |
| Total managed assets | 1,323 | 1,559 | 1,852 | 2,456 |
| Gross stage 3 | 6.4% | 10.8% | 3.2% | 3.6%* |
| CRAR | 26.3% | 22.3% | 23.2% | 30.7% |

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

*Gross stage 3 % is derived as (Gross stage 3 loans)/(Gross loans). During December23, the company revised the classification of Stage 3 asset to align it with the definition of Substandard asset as per the RBI norms

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 (FY2025) | | Chronology of Rating History for the Past 3 Years | | | |
|---------|----------------------------------|------------------|--------------------------|--------------------------------|---------------------------------------------------|----------------------------|-------------------------|-------------------------|
| | | | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | | | April 01, 2024 | January 30, 2024* | - | - |
| 1 | Bhaskara-1 Trust January 2024 | PTC Series A1 | 29.84 | 29.84 | [ICRA]A(SO) | Provisional [ICRA]A(SO) | - | - |

*Initial rating assigned

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---------------|----------------------|
| 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 Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date* | Amount Rated (Rs. crore) | Current Rating |
|------------------------------------------|-----------------|-----------------------------|-------------|----------------|--------------------------|----------------|
| Bhaskara-1 Trust January 2024 | PTC Series A1 | January 2024 | 11.60% | January 2026 | 29.84 | [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:

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