

April 08, 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 Feb-24 Payout (Rs. crore)	Rating Action
PLUM 24-2	PTC Series A1	64.91	NA	20.85	[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 significant 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 February 2024 payout month.

Pool performance summary

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

Parameter	PLUM 24-2
Months post securitisation	8
Pool amortisation	52.50%
PTC Series A1 amortisation	67.88%
Cumulative collection efficiency ¹	104.05%
Cumulative prepayment rate	25.63%
Loss-cum-30+ (% of initial pool principal) ²	3.20%
Loss-cum-90+ (% of initial pool principal) ³	1.54%
Cumulative CC utilisation	0.00%
CC available (as % of balance pool)	21.05%
Excess Interest Spread (EIS) over balance tenure (as % of balance pool)	16.70%
Principal subordination (% of balance pool) PTC A1	39.13%
Breakeven collection efficiency ⁴	35.65%

¹ Cumulative collections till date including advance collections but excluding prepayments/ Cumulative billings till date + Opening overdues

² POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

³ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

⁴ 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 104% as on February 2024 payout. The loss-cum-90+ days past due (dpd) is at 1.6% for the pool as on February 2024 payout month. There has been some increase in delinquencies in the pool in the last few months due to a dip in monthly collections which however continue to be upwards of 94%. 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 ~3.6%. 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 thirteen PL PTC transactions of DMI. The live PL pools have shown a healthy cumulative collection efficiency of more than 100% and loss-cum- 90+ days past due (dpd) of sub-4% as of the February 2024 payout.

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 3.50-4.50% 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: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~9 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 January 2024 (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	Rating Methodology for Securitisation Transactions
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.

Key financial indicators

Particular for	FY2021 (Audited)	FY2022 (Audited)	FY2023 (Audited)	9M FY2024 (Provisional)
Total income	773	920	1,662	1,877
Profit After Tax	27	59	320	310
Total managed assets	5,868	7,268	9,060	14,570
Gross Stage 3	3.9%	2.2%	3.4%	2.6%
CRAR	60%	61%	51%	44%

Source: ICRA Research; Amount in Rs. crore; KfIs for FY2021, FY2022 and FY2023 are for DFPL on a consolidated basis while KfIs for 9M FY2024 are for DFPL on a standalone basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					July 07, 2023	June 30, 2023		
PLUM 24-2	PTC Series A1	64.91	20.85	[ICRA]AAA(SO) Apr 08, 2024	[ICRA]AA(SO) July 07, 2023	Provisional [ICRA]AA(SO) June 30, 2023	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM 24-2	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
INE0QFF15014	PLUM 24-2	PTC Series A1	June 2023	9.15%	October 2026	20.85	[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.

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