

May 06, 2024

Satin Creditcare Network Limited: Ratings reaffirmed for PTCs issued under six microfinance loan securitisation transactions

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
Rose 04 2023	Series A1 PTC	114.63	NA	50.48	[ICRA]A+(SO); reaffirmed
Nimbus 2023 MFI Gorky	Series A1 PTC	115.32	NA	42.44	[ICRA]AA(SO); reaffirmed
	Series A2 PTC	5.49	NA	4.90	[ICRA]A+(SO); reaffirmed
Pride January 2023	Series A1 PTC	78.60	NA	19.71	[ICRA]AA-(SO); reaffirmed
Oceana 05 2022	Series A1 PTC	28.28	NA	4.58	[ICRA]AA-(SO); reaffirmed
Orchard 2022	Series A1 PTC	74.44	NA	14.44	[ICRA]AA-(SO); reaffirmed
	Series A2 PTC	2.57	NA	2.57	[ICRA]A-(SO); reaffirmed
Nimbus 2023 MFI Luhansk	Series A1 PTC	70.21	NA	14.35	[ICRA]A+(SO); reaffirmed

[^] The trusts have been referred to as Rose, Gorky, Pride, Oceana, Orchard and Luhansk, respectively, in this release

^{*}Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the ratings assigned to the pass-through certificates (PTCs) issued under six securitisation transactions originated by Satin Creditcare Network Limited (Satin; rated [ICRA]A (Stable)/[ICRA]A1). All the PTCs are backed by pools of microfinance loan receivables. The underlying pools have exhibited sustained healthy collections and low delinquencies. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pools.

A summary of the performance of the pools for the live transactions till the latest collection month has been tabulated below.

Pool performance summary

Particulars	Rose	Gorky	Pride	Oceana	Orchard	Luhansk
Collection month	Feb-24	Mar-24	Feb-24	Feb-24	Feb-24	Feb-24
Payout month	Mar-24	Apr-24	Mar-24	Mar-24	Mar-24	Mar-24
Months post securitisation	11	11	12	13	12	11
Pool amortisation	50.36%	53.52%	56.47%	62.09%	60.30%	61.09%
Series A1 PTC amortisation	55.96%	63.20%	74.92%	83.81%	80.60%	79.56%
Cumulative collection efficiency ¹	98.43%	98.40%	99.51%	98.95%	98.50%	97.75%
Loss-cum-30+ dpd ² (% of initial pool)	1.98%	1.86%	1.42%	1.06%	1.60%	2.18%
Loss-cum-90+ dpd ³ (% of initial pool)	1.18%	1.11%	0.88%	0.65%	1.06%	1.50%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative prepayment rate	7.98%	10.44%	14.53%	14.92%	13.55%	15.13%

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

Particulars	Rose	Gorky	Pride	Oceana	Orchard	Luhansk
Breakeven collection efficiency ⁴ for Series A1 PTC	58.72%	44.68%	22.29%	10.89%	16.73%	26.58%
CC (% of balance pool)	18.13%	19.36%	28.72%	26.38%	25.19%	18.12%
Principal subordination (% of balance pool) for Series A1 PTC	20.15%	33.49%	48.16%	62.42%	57.48%	53.77%
Excess interest spread (EIS ⁵ ; % of balance pool) for Series A1 PTC	7.27%	7.90%	7.68%	7.58%	7.58%	8.12%

Reset of CE

At Satin's request for resetting the credit enhancement (CE), ICRA has analysed the transactions basis the CC mentioned in the table provided below.

Particulars	Rose	Gorky	Pride	Oceana	Orchard	Luhansk
Current CC outstanding (% of balance pool)	11.46 (18.13%)	12.36 (19.36%)	10.92 (28.72%)	3.21 (26.38%)	8.56 (25.19%)	5.62 (18.12%)
CC required as per ICRA for maintaining the present rating (% of balance pool)	5.73 (9.07%)	6.18 (9.68%)	1.09 (2.87%)	0.32 (2.64%)	0.86 (2.52%)	0.56 (1.81%)

Amount in Rs. crore

Based on the pools' performance, the ratings for all the transactions will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount required by ICRA.

Credit strengths

- High amortisation of PTCs, resulting in build-up of CE cover available for the balance PTC payouts
- Healthy collections and low delinquencies observed in the pools

Credit challenges

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

Description of key rating drivers highlighted above

The performance of the pools has been healthy with a cumulative collection efficiency of more than 97% as of the latest payout month with loss-cum-30+ days past due (dpd) below 2.5%. There has been no CC utilisation in any of the transactions till date. Healthy collections and high pool amortisation have led to a moderate to significant build-up of the CE in the pools while the breakeven collection efficiency is much lower than the collection levels observed. The average monthly prepayment rate for the pools is moderate in the range of 0.5-1.5%. The CE available for meeting the balance payouts to the investors is sufficient to reaffirm the ratings with respect to the current rating level for all the transactions. ICRA will continue to monitor the performance of the pools. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

The pools' performance would remain exposed to macro-economic shocks/business disruptions. Given the marginal borrower profile, the performance would also be exposed to natural calamities and political and communal risks.

⁴ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

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

Past rated pools’ performance: ICRA has live ratings on 20 securitisation transactions backed by microfinance loan receivables for Satin. The live pools, which have completed at least three payouts, reported healthy collections with nil CC utilisation up to the March 2024 payouts.

Key rating assumptions

ICRA’s cash flow modelling for rating asset-backed securitisation 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 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.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Rose 04 2023	2.50-3.50%	2.40-9.00% p.a.
2	Nimbus 2023 MFI Gorky	2.75-3.75%	2.40-9.00% p.a.
3	Pride January 2023	2.00-3.00%	2.40-9.00% p.a.
4	Oceana 05 2022	1.50-2.50%	2.40-9.00% p.a.
5	Orchard 2022	2.00-3.00%	2.40-9.00% p.a.
6	Nimbus 2023 MFI Luhansk	2.50-3.50%	2.40-9.00% p.a.

Liquidity position: Superior

The liquidity for the PTC instruments is superior after factoring in the CE available to meet the promised payouts to the investors. The total CE would be 6.8 times the estimated loss for the Rose 04 2023 transaction, 8.3 times and 7.0 times the estimated loss, respectively, for the Series A1 and Series A2 PTCs of the Nimbus 2023 MFI Gorky transaction and over 10 times the estimated loss for the other four transactions.

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 CE 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 CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

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

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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, it 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 in November 2013. The company's microfinance operations are based on the Grameen Bank joint liability group 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, Satin's consolidated assets under management 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

*On standalone basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. No.	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 in FY2025	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022
						May 06, 2024	Sep 08, 2023	May 17, 2023		
1	Rose 04 2023	Series A1 PTC	114.63	50.48	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	

S. No.	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 in FY2025	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022
						May 06, 2024	Aug 18, 2023	Jun 06, 2023		
2	Nimbus 2023 MFI Gorky	Series A1 PTC	115.32	42.44	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	
		Series A2 PTC	5.49	4.90	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	

S. No.	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 in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					May 06, 2024	Jul 04, 2023	Mar 28, 2023	-
3	Pride January 2023	Series A1 PTC	78.60	19.71	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-

S. No.	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 in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					May 06, 2024	Jun 16, 2023	Mar 03, 2023	-
4	Oceana 05 2022	Series A1 PTC	28.28	4.58	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-

S. No.	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 in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					May 06, 2024	Aug 25, 2023	Mar 23, 2023	-
5	Orchard 2022	Series A1 PTC	74.44	14.44	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-
		Series A2 PTC	2.57	2.57	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

S. No.	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 in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					May 06, 2024	Jul 04, 2023	Apr 04, 2023	-
6	Nimbus 2023 MFI Luhansk	Series A1 PTC	70.21	14.35	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Rose 04 2023	Series A1 PTC	Moderately Complex
Nimbus 2023 MFI Gorky	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
Pride January 2023	Series A1 PTC	Moderately Complex
Oceana 05 2022	Series A1 PTC	Moderately Complex
Orchard 2022	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
Nimbus 2023 MFI Luhansk	Series A1 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
Rose 04 2023	Series A1 PTC	May 2023	10.80%	January 2025	50.48	[ICRA]A+(SO)
Nimbus 2023 MFI Gorky	Series A1 PTC	May 2023	10.25%	February 2025	42.44	[ICRA]AA(SO)
	Series A2 PTC		13.00%		4.90	[ICRA]A+(SO)
Pride January 2023	Series A1 PTC	March 2023	10.10%	November 2024	19.71	[ICRA]AA-(SO)
Oceana 05 2022	Series A1 PTC	February 2023	10.00%	November 2024	4.58	[ICRA]AA-(SO)
Orchard 2022	Series A1 PTC	March 2023	11.00%	January 2025	14.44	[ICRA]AA-(SO)
	Series A2 PTC		14.10%		2.57	[ICRA]A-(SO)
Nimbus 2023 MFI Luhansk	Series A1 PTC	March 2023	10.80%	January 2025	14.35	[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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@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

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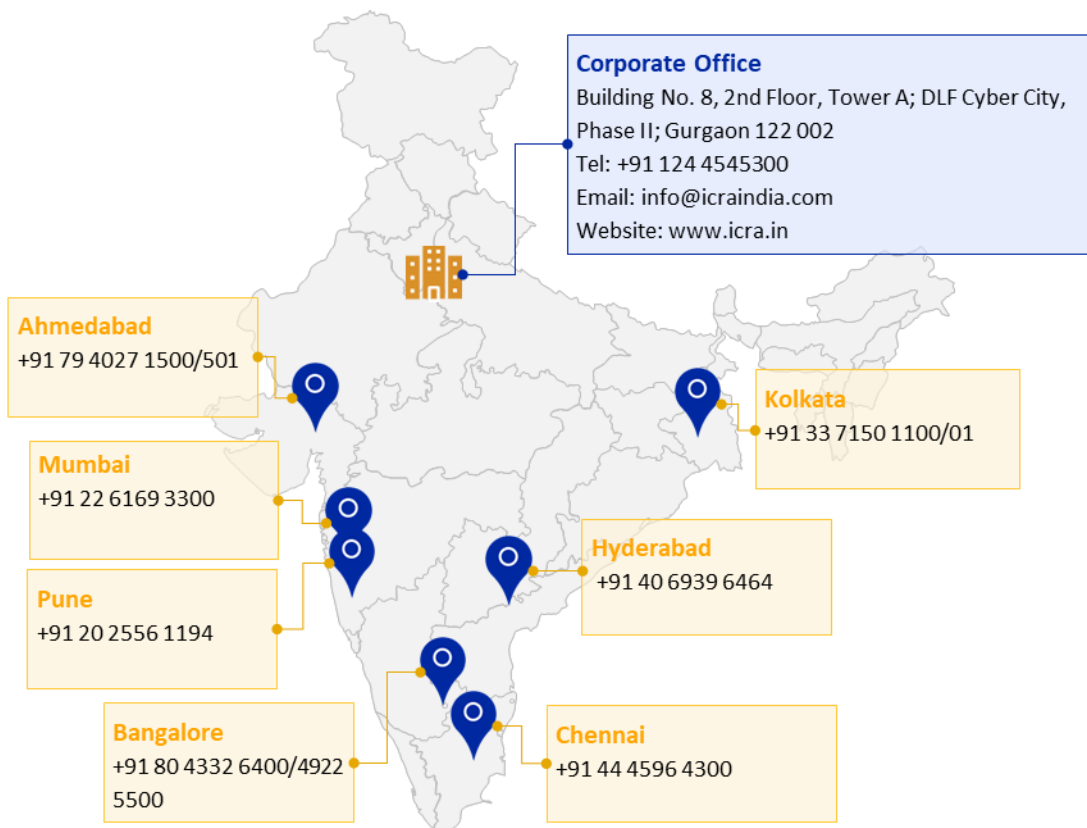
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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