

June 03, 2024

DMI Finance Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by PLUM 24-9

Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|------------|---------------|-------------------------------------|---|
| PLUM 24-9 | PTC Series A1 | 146.00 | [ICRA]AA(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned Provisional [ICRA]AA(SO) rating to Pass Through Certificate (PTC) Series A1, issued by PLUM 24-9 under securitisation transaction originated by DMI Finance Private Limited (DMI/Originator) (rated [ICRA]AA(Stable)/[ICRA]A1+). The PTCs are backed by a pool of a personal loan (PL) receivables originated DMI with an aggregate principal outstanding of Rs. 166.65 crore (pool receivables of Rs. 206.46 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.

Pool performance summary

| Parameter | PLUM 24-9 |
|---|-----------|
| Payout month | May 2024 |
| Months post securitisation | 1 |
| Pool amortisation | 8.53% |
| PTC Series A1 amortisation | 9.63% |
| Cumulative prepayment rate | 4.23% |
| Cumulative collection efficiency ¹ | 97.99% |
| Loss-cum 0+ days past due (dpd) ² | 2.12% |
| Loss cum 30+ dpd ³ | 0.00% |
| Loss cum 90+ dpd ⁴ | 0.00% |
| Cumulative cash collateral utilisation | 0.00% |

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will follow the waterfall mechanism as stated in the transaction legal documents. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

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

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

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

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

Key rating drivers and their description

Credit strengths

Availability of credit enhancement – The rating factors in the credit enhancement available in the form of (i) a cash collateral (CC) of 7.61% of the initial pool principal to be provided by the originator, (ii) principal subordination of 12.39% of the initial pool principal for PTC Series A1, and (iii) the entire excess interest spread (EIS) of ~17% of the initial pool principal in the structure.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date.

High share of salaried borrowers – The salaried category accounts for 72% of the borrowers in the pool (in terms of the principal amount outstanding on the cut-off date). This alleviates the risks to some extent, given the steady cash flows earned by such borrowers vis-à-vis self-employed borrowers.

Credit challenges

Moderate share of high interest rate contracts – The pool has ~29% (in terms of the principal amount outstanding on the cut-off date) of contracts with interest rate more than 28%. Contracts with high rate of interest are more considered riskier as they typically indicate weaker credit profile of borrower.

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 6.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 12% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of credit enhancement cover for the remaining payouts.

Negative factors – Pressure on the rating could emerge on any sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and credit enhancement 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

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 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, with the non-real estate wholesale loan book accounting for the balance.

Key financial indicators

| | FY2021 (A) | FY2022 (A) | FY2023 (A) | 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; KFI for FY2021, FY2022 and FY2023 are on a consolidated basis while KFI for 9M FY2024 are on a 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 | Current Rating (FY2025) | | | | | Chronology of Rating History for the Past 3 Years | | |
|---------|------------|-------------------------|--------------------------|--------------------------------|-------------------------|--------------------------|---|-------------------------|-------------------------|
| | | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2025 | | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | | | June 03, 2024 | April 12, 2024 | | | |
| 1 | PLUM 24-9 | PTC Series A1 | 146.00 | 146.00 | [ICRA]AA(SO) | Provisional [ICRA]AA(SO) | - | - | - |

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 | Date of Issuance / Sanction | Coupon Rate | Maturity Date* | Amount Rated (Rs. crore) | Current Rating |
|------------------|---------------|-----------------------------|-------------|----------------|--------------------------|----------------|
| PLUM 24-9 | PTC Series A1 | April 2024 | 9.45% | September 2027 | 146.00 | [ICRA]AA(SO) |

* Scheduled 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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