

June 27, 2024

Keertana Finserv Private Limited: Rating confirmed as final for SNs backed by micro enterprise loan receivables issued by Amber 04 24

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Amber 04 24	Series A1 SNs	46.08	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the Series A1 securitisation notes (SNs) issued by Amber 04 24 under a securitisation transaction originated by Keertana Finserv Private Limited {Keertana/Originator; [ICRA]BBB(Stable)}. The SNs are backed by a pool of micro enterprise loan receivables originated by Keertana with an aggregate principal outstanding of Rs 52.66 crore (pool receivables of Rs 63.59 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	Amber 04 24
Payout month	May 2024
Months post securitisation	1
Pool amortisation	5.3%
Series A1 SNs Amortisation	6.0%
Monthly Collection Efficiency	100.0%
Cumulative collection efficiency	100.0%
Cumulative Prepayment rate	0.1%
Loss-cum-0+ dpd	0.0%
Loss-cum-30+ dpd	0.0%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation	0.0%

Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises of 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 flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 SN principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 3.00% of the initial pool principal amounting to Rs. 1.58 crore provided by the Originator, (ii) subordination of 12.50% of the initial pool principal for Series A1 SNs, and (iii) the EIS of 13.03% of the initial pool principal for Series A1 SNs.

Key rating drivers

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 14,426 contracts, with no contract exceeding 1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the SN payouts.

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. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Seasoned contracts in the pool – The pool has amortised by about 24% as on the cut-off date thereby reflecting the borrowers’ better credit profile, repayment track record and buildup of borrower equity.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top state, viz. Andhra Pradesh contributing ~87% to the initial pool principal amount. The concentration remains high even at district-level with top 5 districts accounting for ~53% of the initial pool principal amount. The pool’s performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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 performance of microfinance loans would also be exposed to political and communal risks.

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 ~4.25% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Amber 04 24
Originator	Keertana Finserv Private Limited
Servicer	Keertana Finserv Private Limited
Trustee	Axis Trustee Services Limited
CC Bank	ESAF Small Finance Bank
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for Series A1 SNs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.50 times the estimated loss in the pool.

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 credit enhancement 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 credit enhancement utilisation levels, would result in a rating downgrade. 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

Keertana Finserv Private Limited (Keertana) is a non-deposit taking non-banking financial company (NBFC). It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the Reserve Bank of India (RBI). The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the receipt of RBI approval for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from Spandana Mutual Benefit Trust (SMBT; Rs. 191 crore) and the micro, small and medium enterprise (MSME) business from Spandana Rural and Urban Development Organization (SRUDO; Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Keertana's assets under management (AUM) stood at Rs. 1,718 crore through 286 branches as of March 2024. Gold loans contributed 44% to the AUM while joint liability group (JLG), loan against property (LAP) and MSME accounted for the remaining 66% as of March 2024. Keertana reported a provisional net profit of Rs. 72 crore on a managed asset base of Rs. 1,718 crore in FY2024 compared with a net profit of Rs. 16 crore on a managed asset base of Rs. 700 crore in FY2023.

Key financial indicators

Keertana	Audited	Audited	Audited
	FY2022	FY2023	FY2024
Total income	0.3	91.8	276.8
Profit after tax	0.2	16.0	71.6
Total managed assets	2.8	700.6	1,718.1
Gross stage 3	0.0%	0.0%	0.7%
CRAR	144.5%	26.0%	23.7%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

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 27, 2024	April 19, 2024			
Amber 04 24	Series A1 SNs	46.08	46.08	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SNs	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 (p.a.p.m)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Amber 04 24	Series A1 SNs	April 12, 2024	12.30%	November 17, 2025	46.08	[ICRA]A(SO)

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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