

July 04, 2024

## Aye Finance (P) Ltd.: Rating confirmed as final for PTCs backed by unsecured business loan receivables issued by SBL Thulasi 05 2024

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
SBL Thulasi 05 2024	PTC Series A	91.90	[ICRA]AA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In June 2024, ICRA had assigned a provisional rating to the Pass-Through Certificates (PTCs) Series A issued by SBL Thulasi 05 2024 under a securitisation transaction originated by Aye Finance (P) Ltd. (AFPL/Originator). The PTCs are backed by a pool of unsecured business loan receivables originated by AFPL with an aggregate principal outstanding of Rs. 102.11 crore (pool receivables of Rs. 129.98 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	SBL Thulasi 05 2024
Payout month	June 2024
Months post securitisation	1
Pool amortisation	4.6%
PTC Series A amortisation	5.1%
Cumulative collection efficiency	99.3%
Cumulative prepayment rate	0.7%
Loss-cum-0+ dpd	0.7%
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 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 PTC Series A principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal amounting to Rs. 7.15 crore provided by the Originator, (ii) subordination of 10.00% of the initial pool principal for PTC Series A, and (iii) the entire EIS of 19.83% of the initial pool principal for PTC Series A.

## Key rating drivers and their descriptions

### Credit strengths

**Granular pool supported by presence of credit enhancement:** The pool as on cut-off date is granular, consisting of 9,363 contracts, with no contract exceeding 1% of the pool principal (or top 10 contracts forming only ~2% 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 PTC payouts.

**No overdue contracts in the pool:** The pool has been filtered in such a manner that there were 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 almost 20% with seasoning of ~7 months 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 three 3 states, viz. Bihar, Uttar Pradesh and Rajasthan, contributing 54% to 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 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 4.75% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% 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.

### Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	SBL Thulasi 05 2024
Originator	AFPL
Servicer	AFPL
Trustee	Catalyst Trusteeship Limited
CC Bank	Federal Bank
Collection and payout account Bank	Federal Bank

## Liquidity position: Strong

The liquidity for PTC Series A is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.75 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 (monthly collection efficiency >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 of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and CE utilisation levels. Weakening in the credit profile of the servicer (AFPL) 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	
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the Originator

Aye Finance (P) Ltd. is registered with the Reserve Bank of India (RBI) as a systemically important non-deposit taking non-banking financial company (ND-NBFC). It provides loans to micro-enterprises in semi-urban areas with an annual turnover of Rs. 10 lakh-1 crore. The company commenced operations in FY2014 and is promoted by Mr. Sanjay Sharma and Mr. Vikram Jetley, who have experience in retail lending. Aye Finance is backed by strong private equity investors – Capital G (Google Capital), Falcon Edge Capital, Elevation Capital, A91 Partners, LGT Impact, MAS Invest and others.

## Key financial indicators (standalone)

	FY2022	FY2023	FY2024
	Audited	Audited	Audited
Total income	441.4	636.8	1,071.8
Profit after tax	-45.7	53.8	160.7
Total managed assets	2,370.8	3,305.6	4,472.8
Gross stage 3	3.3%	2.5%	3.2%
CRAR	36.0%	31.1%	32.8%

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

## 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			
			Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				July 04, 2024	June 04, 2024			
1	SBL Thulasi 05 2024	PTC Series A	91.90	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>SBL Thulasi 05 2024</b>	PTC Series A	May 30, 2024	10.15%	September 16, 2026	91.90	[ICRA]AA(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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