

July 22, 2024

Satin Creditcare Network Limited: Rating reaffirmed for securities issued under a microfinance loan securitisation transaction; ratings withdrawn for two transactions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
NIMBUS 2023 MFI Lafargue	Series A1 PTC	29.84	NA	12.30	[ICRA]A+(SO); reaffirmed
Binatone 2023	Series A1(a) PTC	18.30	NA	0.00	[ICRA]A+(SO); withdrawn
	Series A1(b) PTC	1.72	NA	0.00	[ICRA]BBB+(SO); withdrawn
Nimbus 2023 MFI Luhansk	Series A1 PTC	70.21	14.35	0.00	[ICRA]A+(SO); withdrawn

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by microfinance loan receivables originated by Satin Creditcare Network Limited (Satin/Originator; rated [ICRA]A (Stable)/[ICRA]A1). The rating reaffirmation for Series A1 PTC issued by NIMBUS 2023 MFI Lafargue factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy performance of the pool. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the June 2024 payout month.

Pool performance summary

Parameter	NIMBUS 2023 MFI Lafargue
Payout month	June 2024
Months post securitisation	11
Pool amortisation (as % of initial pool principal)	52.90%
PTC amortisation (as % of initial PTC principal)	58.78%
Cumulative collection efficiency ¹	97.16%
Cumulative prepayment rate	2.80%
Average monthly prepayment rate	0.26%
Loss-cum-0+ dpd ² (% of initial pool)	4.61%
Loss-cum-30+ dpd ³ (% of initial pool)	3.88%
Loss-cum-90+ dpd ⁴ (% of initial pool)	2.87%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency ⁵	56.96%
CC (% of balance pool)	19.11%
Principal subordination (% of balance pool) ⁶	21.24%
Excess interest spread (EIS; % of balance pool) ⁷	7.00%

ICRA has also withdrawn the ratings outstanding on the Binatone 2023 and Nimbus 2023 MFI Luhansk transactions. All the payouts to the investors have been made and no further payments are due to them. The transaction structure, key rating

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 contracts delinquent for more than 0 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

⁴ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool principal – PTC principal)/Pool principal outstanding

⁷ (Pool cash flows – Cash flows to PTC A)/Pool principal outstanding

drivers, details of key counterparties, liquidity position and rating sensitivities have not been captured for these two transactions as the ratings assigned to the instruments have been withdrawn. The previous detailed rating rationales are available at the following links:

For Binatone 2023: [Click Here](#)

For Nimbus 2023 MFI Luhansk: [Click Here](#)

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed the NIMBUS 2023 MFI Lafargue transaction at a CC of Rs. 1.49 crore (9.55% of the balance pool principal) against the currently available CC of Rs. 2.98 crore (19.11% of the balance pool principal). Based on the pool's performance, the rating for the PTCs 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 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 allowed by ICRA.

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 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 the Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Healthy performance of pool – The pool has exhibited strong performance with a cumulative collection efficiency of ~97% till the June 2024 payout month. Delinquencies have been moderate with the 90+ days past due (dpd) at 2.9% after the June 2024 payout month though they increased sharply in recent months (90+ dpd stood at 1.6% as of March 2024 payout month) due to weak collections, especially in Punjab (~12% share in balance pool). The breakeven collection efficiency, nonetheless, remains comfortably below the monthly collection efficiency. Further, there have been no instances of CC utilisation in the pool till date owing to the strong collection performance and the presence of EIS in the transaction.

Granular pool, supported by credit enhancement – The pool is granular, consisting of 4,645 contracts, with the top 10 contracts forming only ~4% of the pool principal after the June 2024 payout month, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS has increased owing to the amortisation of the pool and would absorb some amount of the losses in the pool, providing support in meeting the PTC payouts.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. West Bengal, Bihar and Assam, contributing ~65% to the pool principal after the June 2024 payout month. 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 3.75% with certain variability around it. The average prepayment rate for all the pools 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 transaction are as follows:

Transaction Name	NIMBUS 2023 MFI Lafargue
Originator	Satin Creditcare Network Limited
Servicer	Satin Creditcare Network Limited
Trustee	Vardhman Trusteeship Private Limited
CC holding bank	SBM Bank (India) Limited
Collection and payout account bank	SBM Bank (India) Limited

Liquidity position: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be ~5.50 times the estimated loss.

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 (Satin) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till June 2024 (payout month), the present delinquency levels and the credit enhancement 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 ICRA's Policy on Withdrawal of Credit Ratings
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, the company 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 (NBFC-MFI) in November 2013. The company's microfinance operations are based on the Grameen Bank joint liability group (JLG) model and were spread across 1,236 branches in the country as on March 31, 2024 on a standalone basis and 1,393 branches for the Group as a whole.

As on March 31, 2024, its consolidated assets under management (AUM) stood at Rs. 11,850 crore. On a consolidated basis, it reported a net profit of Rs. 436 crore in FY2024 (total comprehensive income (TCI) of Rs. 442 crore) against Rs. 5 crore in FY2023 (negative TCI of Rs. 16 crore).

Key financial indicators

Consolidated	FY2022	FY2023	FY2024
	Audited	Audited	Audited
Total income	1,381	1,559	2,241
Profit after tax	21	5	436
Gross loan portfolio	7,617	9,115	11,850
Gross stage 3	7.5%	3.1%	2.5%
CRAR*	27.8%	26.6%	27.7%

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

*CRAR 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 Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022
						Jul 22, 2024	Jul 13, 2023	Jul 06, 2023		
1	NIMBUS 2023 MFI Lafargue	Series A1 PTC	29.84	12.30	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

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2	Binatone 2023	Series A1(a) PTC	18.30	0.00	[ICRA]A+(SO); Withdrawn	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-
		Series A1(b) PTC	1.72	0.00	[ICRA]BBB+(SO); Withdrawn	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Jul 22, 2024	May 06, 2024	Jul 04, 2023	Apr 04, 2023	-	-
3	Nimbus 2023 MFI Luhansk	Series A1 PTC	70.21	0.00	[ICRA]A+(SO); Withdrawn	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
NIMBUS 2023 MFI Lafargue	Series A1 PTC	Moderately Complex
Binatone 2023	Series A1(a) PTC	Moderately Complex
	Series A1(b) 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

ISIN	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
INE0QGZ15010	NIMBUS 2023 MFI Lafargue	Series A1 PTC	July 07, 2023	10.75%	April 17, 2025	12.30	[ICRA]A+(SO)
-	Binatone 2023	Series A1(a) PTC	March 29, 2023	12.10%	January 17, 2025	0.00	[ICRA]A+(SO); withdrawn
-		Series A1(b) PTC		13.85%		0.00	[ICRA]BBB+(SO); withdrawn
-	Nimbus 2023 MFI Luhansk	Series A1 PTC	March 31, 2023	10.80%	January 10, 2025	0.00	[ICRA]A+(SO); withdrawn

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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