August 05, 2024

Satin Creditcare Network Limited: Ratings reaffirmed for PTCs issued under three 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
JEWEL 05 2023	Series A1 PTC	39.79	NA	10.90	[ICRA]A(SO); reaffirmed
	Series A2 PTC	1.02	NA	1.02	[ICRA]A-(SO); reaffirmed
NANO 2023	Series A1(a) PTC	23.18	NA	3.95	[ICRA]AA-(SO); reaffirmed
	Series A1(b) PTC	1.86	NA	1.86	[ICRA]A(SO); reaffirmed
KEDAR 2023	Series A1(a) PTC	31.94	NA	8.58	[ICRA]AA-(SO); reaffirmed
	Series A1(b) PTC	2.35	NA	2.35	[ICRA]A(SO); reaffirmed

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 ratings reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is considerably lower compared to the actual collection level observed in the pools till the July 2024 payout month.

Pool performance summary

Parameter	JEWEL 05 2023	NANO 2023	KEDAR 2023
Payout month	July 2024	July 2024	July 2024
Months post securitisation	13	13	11
Pool amortisation (as % of initial pool principal)	65.03%	64.49%	56.06%
PTC amortisation (as % of initial PTC principal)	70.79%	76.79%	68.13%
Cumulative collection efficiency[1]	96.34%	96.02%	96.25%
Cumulative prepayment rate	9.44%	13.82%	11.00%
Average monthly prepayment rate	0.76%	1.14%	1.05%
Loss-cum-0+ dpd[2] (% of initial pool)	5.98%	5.68%	5.66%
Loss-cum-30+ dpd[3] (% of initial pool)	5.22%	5.01%	4.80%
Loss-cum-90+ dpd[4] (% of initial pool)	3.87%	3.80%	3.49%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%
Breakeven collection efficiency[5] Series A1 PTC	51.35%	23.72%	36.44%
CC (% of balance pool)	17.16%	14.08%	11.38%
Principal subordination (% of balance pool)[6] Series A1 PTC	29.50%	61.10%	50.20%
Excess interest spread (EIS; % of balance pool)[7] Series A1 PTC	5.65%	6.16%	6.82%

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[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*

Reset of credit enhancement

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

Particulars	JEWEL 05 2023	NANO 2023	KEDAR 2023
Current CC outstanding **(% of balance pool)**	2.65 (17.16%)	1.43 (14.08%)	1.96 (11.38%)
CC required as per ICRA for maintaining the present rating **(% of balance pool)**	0.80 (5.15%)	0.43 (4.22%)	0.59 (3.41%)

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.

Transaction structure

For JEWEL 05 2023

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. After meeting the promised and expected payouts, the excess interest spread (EIS) will be passed on to the Originator on a monthly basis. However, on the occurrence of predefined trigger events, the residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 and Series A2 PTCs. Any prepayment in the pool is being used for the prepayment of the Series A1 principal and the residual prepayment amount (post maturity of Series A1 PTC) will be used for the prepayment of Series A2 principal.

For NANO 2023 and KEDAR 2023

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. After meeting the promised and expected payouts, the EIS will be passed on to the Originator on a monthly basis. However, post January 2024 payout, owing to occurrence of certain predefined events, the EIS is now being used for the prepayment of Series A1(a) PTC principal. Any prepayment in the pool is being used for the prepayment of the Series A1(a) PTC principal and the residual prepayment amount (post maturity of Series A1(a) PTC) will be used for the prepayment of Series A1(b) PTC principal.

Key rating drivers and their description

Credit strengths

Granular pools, supported by build-up in credit enhancement – The pools are granular, with the top 10 contracts forming only ~0.2% of the pool principal after the July 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 pools and would absorb some amount of the losses in the pools, providing support in meeting the PTC payouts.

Performance of pools in line with ICRA's expectations – While the performance of the pools is in line with ICRA's expectations, delinquencies witnessed an uptick in the last few months. Delinquencies have been moderate with the 90+ days past due (dpd) in the range of 3.5-3.9% after the July 2024 payout month, but they had increased sharply in recent months (90+ dpd of 1.4-2.1% as of March 2024 payout month) due to weak collections, especially in Punjab and Rajasthan. Nonetheless, the pools have exhibited a cumulative collection efficiency of ~96% till the July 2024 payout month while the breakeven collection efficiency remains comfortably below the monthly collection efficiency. Further, there have been no instances of CC utilisation in any of the pools till date owing to the strong collection performance and the presence of EIS in the transactions.

Credit challenges

High geographical concentration – The pools have high geographical concentration with the top 3 states contributing at least ~70% to the pool principal after the July 2024 payout month. The pools' 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 pools' 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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.75% for JEWEL 05 2023 and at 5% for NANO 2023 and KEDAR 2023 with certain variability around them. 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	JEWEL 05 2023	NANO 2023	KEDAR 2023
Originator	Satin Creditcare Network Limited	Satin Creditcare Network Limited	Satin Creditcare Network Limited
Servicer	Satin Creditcare Network Limited	Satin Creditcare Network Limited	Satin Creditcare Network Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	Bandhan Bank	Bandhan Bank	Bandhan Bank
Collection and payout account bank	ICICI Bank	ICICI Bank	ICICI Bank

Liquidity position: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. For JEWEL 05 2023, the total credit enhancement for Series A1 PTC and Series A2 PTC would be ~3.75 times and ~3.25 times, respectively. Similarly, for NANO 2023, the total credit enhancement for Series A1(a) PTC and Series A1(b) PTC would be ~5.75 times and ~4.50 times, respectively. For KEDAR 2023, the total credit enhancement for Series A1(a) PTC and Series A1(b) PTC would be ~6.00 times and ~4.75 times, respectively.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pools 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 ratings upgrade.

Negative factors – The sustained weak collection performance of the underlying pools of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer (Satin) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till the July 2024 payout month, the present delinquency levels and the credit enhancement 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 (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

Satin (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	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	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
					Aug 05, 2024	Aug 18, 2023	Jun 06, 2023	-	-
1	JEWEL 05 2023	Series A1 PTC	39.79	10.90	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		Series A2 PTC	1.02	1.02	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)		

S. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	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
					Aug 05, 2024	Oct 16, 2023	Jun 13, 2023	-	-
2	NANO 2023	Series A1(a) PTC	23.18	3.95	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-
		Series A1(b) PTC	1.86	1.86	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)		

S. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	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
					Aug 05, 2024	Dec 14, 2023	Sep 04, 2023	-	-
3	KEDAR 2023	Series A1(a) PTC	31.94	8.58	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-
		Series A1(b) PTC	2.35	2.35	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)		

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
JEWEL 05 2023	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
NANO 2023	Series A1(a) PTC	Moderately Complex
	Series A1(b) PTC	Moderately Complex
KEDAR 2023	Series A1(a) PTC	Moderately Complex
	Series A1(b) 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 (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
JEWEL 05 2023	Series A1 PTC	June 16, 2023	11.75%	April 17 ,2025	10.90	[ICRA]A(SO)
	Series A2 PTC		14.00%		1.02	[ICRA]A-(SO)
NANO 2023	Series A1(a) PTC	June 07, 2023	12.20%	March 09, 2025	3.95	[ICRA]AA-(SO)
	Series A1(b) PTC		12.88%	March 10, 2025	1.86	[ICRA]A(SO)
KEDAR 2023	Series A1(a) PTC	August 28, 2023	12.11%	May 09, 2025	8.58	[ICRA]AA-(SO)
	Series A1(b) PTC		12.70%	May 10, 2025	2.35	[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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