

September 20, 2024

Navi Finserv Limited: Rating upgraded for PTCs issued under personal loan securitisation transaction by Nimbus 2023 PL George

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2023 PL George	Series A PTC	73.47	73.47	20.37	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by personal loan receivables originated by Navi Finserv Limited (Navi). The rating upgrade factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the substantial amortisation of the pool and PTC. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the August 2024 payout month.

Pool performance summary

Parameter	Nimbus 2023 PL George
Payout month	August 2024
Months post securitisation	14
Pool amortisation (as % of initial pool principal)	57.2%
PTC amortisation (as % of initial pool principal)	72.3%
Cumulative collection efficiency ¹	94.7%
Loss-cum-30+ dpd ² (% of initial pool)	8.0%
Loss-cum-90+ dpd ³ (% of initial pool)	5.8%
Cumulative cash collateral (CC) utilisation	0.0%
Breakeven collection efficiency ⁴ for PTC Series A	31.0%
Excess interest spread (EIS; % of balance pool)	23.1%
Subordination (% of balance pool)	41.7%
Cash Collateral (CC) (% of balance pool)	23.0%

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. The residual cash flows from the pool, after meeting the promised and expected payouts, will be used for the prepayment of Series A PTC principal. Any prepayment in the pool would be used for the prepayment of Series A PTC principal.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the build-up of the credit enhancement with the CC increasing substantially to 23% as compared to the initial level of 10% for the transaction. Credit support is also available in the transaction through the EIS and subordination.

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 30 days, as a % of Initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

⁴ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

Credit challenges

Rising delinquencies and moderate decline in collection efficiency in the pool– The monthly collection efficiency for the pool has declined to ~87% in August 2024 payout month from erstwhile levels above 98%. Consequently, there is rise in delinquency levels with loss-cum-90+ dpd of ~6% as of August 2024 payout month. Nonetheless, the current level of collection efficiency is above the breakeven collection efficiency for the pool.

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. Moreover, recoveries from delinquent contracts tend to be lower in this segment.

Key rating assumptions

ICRA’s cash flow modelling for rating securitisation transaction 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 5.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% 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 20223 PL George
Originator	Navi Finserv Limited
Servicer	Navi Finserv Limited
Trustee	Catalyst Trusteeship Limited
CC Bank	HDFC Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement for the transaction would be around 6.50 times the estimated losses in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded if the available cash collateral fully covers the balance PTC payouts.

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 CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (Navi) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the August 2024 payout month (July 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Navi Finserv Limited (Navi; formerly known as Navi Finserv Private Limited) was incorporated on February 14, 2012, as a private limited company. In April 2022, it was converted into a public limited company. Navi is a wholly-owned subsidiary of the Navi Group (main holding company: Navi Technologies Limited) and has conducted operations since 2009. It is primarily involved in the business of sourcing, underwriting and lending to individuals and entities. It provides credit-related services as a non-banking financial company (NBFC), including intermediation services for financial services agents and money transfer agents, credit linkage services, acting as a banking correspondent and generally conducting all activities permissible for an NBFC.

Key financial indicators

Consolidated	FY2022	FY2023	FY2024
Total income	460	1,377	2,614
Profit after tax	(67)	172	669
Total managed assets	2,949	7,755	11,725
Gross stage 3	30.73%	1.70%	1.87%
Capital-to-risk weighted assets ratio	0.87%	28.37%	28.42%

Source: Company data, 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)	Current Amount Rate (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
						Sep 20, 2024	Sep 28, 2023		
1	Nimbus 2023 PL George	Series A PTC	73.47	20.37	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2023 PL George	Series A 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 Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Rating
Nimbus 2023 PL George	Series A PTC	Jun 5, 2023	9.95%	Nov 15, 2027	20.37	[ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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