

October 07, 2024

DMI Finance Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by PLUM 25-7

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
PLUM 25-7	PTC Series A1	282.07	[ICRA]AA(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In September 2024, ICRA had assigned Provisional [ICRA]AA(SO) rating to Pass Through Certificate (PTC) Series A1, issued by PLUM 25-7. The PTCs are backed by a pool of a personal loan (PL) receivables originated by DMI Finance Private Limited (DMI/Originator) (rated [ICRA]AA(Stable)/[ICRA]A1+) with an aggregate principal outstanding of Rs. 324.21 crore (pool receivables of Rs. 409.94 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.

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 equity tranche investor (in this case the Originator) on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal amounting to Rs. 16.21 crore to be provided by the Originator, (ii) principal subordination of 13.00% of the initial pool principal for PTC Series A1 in the form of an equity tranche, and (iii) the entire EIS of 18.81% of the initial pool principal for PTC Series A1.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The initial pool is granular, consisting of 32,799 obligors, with top 10 obligors forming only 0.15% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination in the form of an equity tranche 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 initial pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Also, ~64% of the contracts have never been overdue since origination while the peak dpd in the balance contracts is up to one month.

Strong CIBIL score of the underlying borrowers – All the borrowers in the initial pool have a minimum CIBIL score of 700 and ~58% of borrowers have a CIBIL score of more than or equal to 750 which signifies a strong credit history of such borrowers.

Credit challenges

Moderate share of self-employed borrowers – The self-employed category accounts for ~33% of the borrowers in the initial pool (in terms of the principal amount outstanding on the cut-off date). This increases the risks to some extent, given the uncertain nature of the cash flows generated by such borrowers vis-à-vis salaried borrowers.

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 ~6.0% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% 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 is as follows:

Transaction Name	PLUM 25-7
Originator	DMI Finance Private Limited
Servicer	DMI Finance Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	DCB Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~4.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels. Weakening in the credit profile of the servicer (DMI) 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

DMI Finance Private Limited (DMI), incorporated in 2008, is a private financial services company registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). While it was mainly engaged in secured corporate lending (largely to real estate builders) till a few years ago, it has shifted its focus to digital lending, wherein it provides consumption loans, personal loans and micro, small and medium enterprise (MSME) loans. This is a completely digital-technology-driven business with API-based origination, underwriting and loan management systems. Herein, DMI predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers and technology-driven aggregators.

Key Financial Indicators

Particular for	FY2022 (Audited)	FY2023 (Audited)	FY2024 (Audited)
Operating Income	652	1,222	2,024
Profit After Tax	59	320	417
Total managed assets	7,268	9,060	14,520
Gross Stage 3	2.2%	3.4%	2.5%
CRAR	61%	51%	45%

Source: 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

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					October 07, 2024	September 30, 2024			
1	PLUM 25-7	PTC Series A1	282.07	282.07	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	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 No	Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
INE17GS15012	PLUM 25-7	PTC Series A1	September 30, 2024	9.40%	March 20, 2028	282.07	[ICRA]AA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

Abhishek Jena

+91 22 6114 3432

abhishek.jena@icraindia.com

RELATIONSHIP CONTACT

L.Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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