

October 25, 2024

Save Microfinance Pvt. Ltd.: Ratings actions on PTCs issued under a micro finance loan securitisation transaction

Summary of rating action

| Trust Name | Instrument* | Initial rated amount (Rs. crore) | Previous rated amount (Rs. Crore) | Current rated amount (Rs. crore) | Rating Action |
|-----------------|------------------|----------------------------------|-----------------------------------|----------------------------------|---|
| Salvare 09 2023 | Series A1(a) PTC | 14.66 | 14.66 | 2.03 | [ICRA]A+(SO); reaffirmed |
| | Series A1(b) PTC | 1.83 | 1.83 | 1.83 | [ICRA]A(SO); upgraded from [ICRA]A-(SO); |
| | Equity Tranche | 1.01 | 1.01 | 1.01 | [ICRA]A-(SO); upgraded from [ICRA]BBB-(SO); |

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by micro finance loan receivables originated by Save Microfinance Pvt. Ltd (Save/Originator). The rating actions for Series A1(a) PTC, Series A1(b) PTC and Equity tranche have been taken considering the significant amortisation in the pool, which has led to build-up in the credit enhancement available to meet the promised payout to the investor. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower as compared to the actual collection level observed in the pool till September 2024 payout month.

Pool performance summary

| Parameter | Salvare 09 2023 |
|--|-----------------|
| Payout Month | September 2024 |
| Months post securitisation | 11 |
| Pool amortisation | 67.8% |
| Series A1(a) PTC Amortisation | 86.1% |
| Series A1(b) PTC Amortisation | 0.0% |
| Equity tranche | 0.0% |
| Cumulative collection efficiency ¹ | 96.7% |
| Loss-cum-0+ (% of initial pool principal) ² | 3.6% |
| Loss-cum-90+ (% of initial pool principal) ³ | 2.5% |
| Break-even collection efficiency (%) – Series A1(a) PTC ⁴ | 17.9% |
| Break-even collection efficiency (%) –Series A1(b) PTC | 47.7% |
| Break-even collection efficiency (%) –Equity tranche | 63.4% |
| Cumulative cash collateral (CC) utilisation (% of initial CC) | 0.0% |
| CC available (as % of balance pool principal) | 15.5% |
| Excess interest spread (EIS) (as % of balance pool principal) for Series A1(a) PTC | 7.7% |
| Excess interest spread (EIS) (as % of balance pool principal) for Series A1(b) PTC | 6.6% |
| Excess interest spread (EIS) (as % of balance pool principal) for Equity tranche | 6.6% |

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² POS on contracts aged 0+ dpd + Overdues / Initial POS on the pool

³ POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

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

Transaction Structure

Till December 17, 2024, the monthly collections from the pool will be used to make the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis. After making the promised interest payout, the collections will be used to make the expected principal payouts to PTC Series A1(a) till it has been fully redeemed and then to redeem Series A1(b) PTCs on expected basis. From December 18, 2024, the monthly collections from the pool will be used to make the promised interest payout to Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis and subsequently the remaining cashflows will be used to make expected principal payment Series A1(a) PTCs and Series A1(b) PTCs on a pari-passu basis. Equity Tranche payouts are completely subordinated to Series A1 PTC payouts. The principal to all tranches is promised on the final maturity dates only i.e., May 17, 2025 for Series A1(a) PTCs, May 18, 2025 for Series A1(b) PTCs and May 19, 2025 for equity tranche. 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 and equity tranche principal as per the above-mentioned schedule.

Key rating drivers and their description

Credit strengths

- **Substantial credit enhancement available in the structure** –The rating factors in the build-up in the credit enhancement with cash collateral increasing to ~16% of the balance pool principal as compared to 5% at time of securitisation. Further internal credit support is also available through scheduled EIS and subordination.
- **Healthy pool performance** – Performance of the pool has been strong with cumulative collection efficiency of ~97% which has resulted in low delinquencies in the pool with the 90+ days past due (dpd) at 2.5% as on September 2024 payout month. The break-even collection efficiency is much lower as compared to the monthly collection efficiency observed in the pool. Further, there have been no instances of cash collateral utilisation for the pool till date owing to strong collection performance and presence of EIS in the transaction.

Credit challenges

- **High geographical concentration** – The pool has high geographical concentration with the top state, viz. Bihar, contributing 43% to the balance 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. Further, the pool remains concentrated on district level as well with the top 10 districts comprising of ~49% of the balance pool principal.
- **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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.0% 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

| Transaction Name | Salvare 09 2023 |
|------------------------------------|-----------------------------|
| Originator | Save Microfinance Pvt. Ltd. |
| Servicer | Save Microfinance Pvt. Ltd. |
| Trustee | Beacon Trusteeship Limited |
| CC Holding Bank | ICICI Bank |
| Collection and payout account Bank | ICICI Bank |

Liquidity position:

For Series A1(a) PTC and Series A1(b) PTC: Superior

The liquidity for Series A1(a) PTC and Series A1(b) PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 6 times the estimated loss in the pool.

For Equity Tranche: Strong

The liquidity for Equity Tranche is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded when CC is fully covering the balance PTC payouts to the investors.

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 (Save) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till September 2024 (payout month), the present delinquency profile of the pool, the CE 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 |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | Not Applicable |

About the originator

SAVE Microfinance Pvt. Ltd. (Save) is an NBFC-MFI, extending the JLG Loans, based out of Bihar. Save received its NBFC license in October 2017 and commenced lending operations November 2018 onwards. The company provides micro credit to women borrowers for the purpose of income generating activities such as small business, handicrafts, trade and services, agricultural etc. The loans are provided to women for agriculture and non-agriculture activities with a ticket size of Rs. 15,000 – 65,000. The tenure of the loans is 12- 27 months with a rate of interest of 19.7% to 25.0%. Collections are made monthly and 1% processing fees is charged. The Company also gives CGS loans at a rate of interest of 19.69%.

The operations are spread geographically with a presence in 106 districts across 7 states as on June 30, 2024. In Q1FY2025, the company reported a profit after tax (PAT) of Rs. 1.5 Crore on AUM of Rs. 1130 crore.

EXHIBIT 1. Key Financial Indicators

| Save | FY2023 | FY2024 | Q1FY2025 |
|--|---------|---------|----------|
| Total income (Rs. Crore) | 171.5 | 208.7 | 46.0 |
| Profit after tax (Rs. Crore) | 17.1 | 12.2 | 1.6 |
| Assets under management (Rs. Crore) | 1,252.8 | 1,179.5 | 1,129.5 |
| Gross NPA | 1.0% | 2.1% | 3.1% |
| CRAR | 15.8% | 21.4% | 26.1% |

Source: Company, ICRA Research;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| 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 |
| | | | | Oct 25, 2024 | Dec 27, 2023 | Nov 06, 2023 | - | - | |
| Salvare 09 2023 | Series A1(a) PTC | 14.66 | 2.03 | [ICRA]A+(SO) | [ICRA]A+(SO) | Provisional [ICRA]A+(SO) | - | - | |
| | Series A1(b) PTC | 1.83 | 1.83 | [ICRA]A(SO) | [ICRA]A-SO | Provisional [ICRA]A-(SO) | - | - | |
| | Equity Tranche | 1.01 | 1.01 | [ICRA]A-(SO) | [ICRA]BBB-(SO) | Provisional [ICRA]BBB-(SO) | - | - | |

Complexity level of the rated instrument

| Instrument | Instrument | Complexity Indicator |
|-----------------|------------------|----------------------|
| Salvare 09 2023 | Series A1(a) PTC | Moderately complex |
| | Series A1(b) PTC | Moderately complex |
| | Equity Tranche | 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 |
|------------------------|------------------|-----------------------------|------------------------|---------------|--------------------------|----------------|
| Salvare 09 2023 | Series A1(a) PTC | October 27, 2023 | 11.00% | May 17, 2025 | 2.03 | [ICRA]A+(SO) |
| | Series A1(b) PTC | October 27, 2023 | 13.00% | May 18, 2025 | 1.83 | [ICRA]A(SO) |
| | Equity Tranche | October 27, 2023 | - | May 18,2025 | 1.01 | [ICRA]A-(SO) |

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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