

November 06, 2024

Keertana Finserv Private Limited: Ratings confirmed as final for Series A1 SNs backed by micro enterprise loan receivables issued by Vikram 06 24

Summary of rating action

Trust Name	Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Vikram 06 24	Series A1 SNs	47.64	47.64	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional rating of [ICRA]A(SO) to Series A1 SNs issued by the Special Purpose Vehicle (SPV) Vikram 06 24 in June 2024. The SNs are backed by a pool of micro enterprise loan receivables originated by Keertana Finserv Private Limited {Keertana/[ICRA]BBB(Stable)} with an aggregate principal outstanding of Rs. 54.44 crore (pool receivables of Rs. 66.35 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 ratings have now been confirmed as final.

Pool performance summary:

Parameter	Vikram 06 24
Months post securitisation	3
Pool amortisation	22.8%
Series A1 SN Amortisation	34.7%
Cumulative Collection Efficiency (including advance collections)	99.3%
Monthly collection efficiency	98.2%
Cumulative Prepayment rate	5.2%
Loss-cum-0+ dpd	1.9%
Loss-cum-30+ dpd	0.6%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

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 Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTCs principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 3.00% of the initial pool principal, amounting to Rs. 1.63 crore, to be provided by the Originator, (ii) subordination of 12.50% of the initial pool principal for Series A1 SNs, and (iii) the EIS of 14.29% of the initial pool principal for Series A1 SNs

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 14,021 contracts, with no contract exceeding 0.1% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the SN payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Seasoned contracts in the pool – The pool has amortised by ~20% as on the cut-off date thereby reflecting the borrowers' better credit profile, repayment track record and buildup of borrower equity.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top state, viz. Andhra Pradesh contributing ~75% to the initial pool principal amount. The concentration remains high even at district-level with top 5 districts accounting for ~44% of the initial 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.

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 based on 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 5.00% with certain variability around it. The average prepayment rate for the underlying pool 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 is as follows:

Transaction Name	Vikram 06 24
Originator	Keertana Finserv Private Limited
Servicer	Keertana Finserv Private Limited
Trustee	Axis Trustee Services Limited
CC holding bank	Indian Overseas Bank
Bank Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for Series A1 SNs 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 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 (Keertana) could also exert pressure on the ratings.

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

Keertana Finserv Private Limited (Keertana/KFPL) is a non-deposit taking NBFC. It was incorporated in February 1996 as Rajshree Tracom Pvt Ltd and received its NBFC licence in 2001 from the RBI. The company was dormant with no business till the current promoters acquired it at the end of March 2022. Following the approval from the RBI for a change in management and control, the current promoters purchased all the shares of the erstwhile promoters. The company is currently managed by Ms. Padmaja Reddy, the erstwhile Managing Director of Spandana Sphoorthy Financial Limited (SSFL; NBFC-MFI). Keertana acquired its gold loan business from SMBT (Rs. 191 crore) and the MSME business from SRUDO (Rs. 14 crore) as per a business transfer agreement dated April 04, 2022.

Keertana's AUM stood at Rs. 2,238 crores through 300 branches as of June 2024. Gold loans contributed 56% to the AUM while JLG, LAP and MSME accounted for remaining 44% as of June 2024. Keertana reported a provisional net profit of Rs. 31 crores on a managed asset base of Rs. 2,238 crores in Q1FY2025 compared with a net profit of Rs. 72 crore on a managed asset base of Rs. 1,718 crores in FY2024.

Key financial indicators

Keertana (standalone)	Ind-AS	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2023	FY2024	Q1 FY2025
Total income	91.8	276.8	115.00
Profit after tax	16.0	71.6	30.7
Total managed assets	700.6	1,718.1	2,238.5
Gross stage 3	0.0%	0.0%	0.1%
CRAR	26.0%	23.7%	26.1%

Source: Company, 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	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
				Nov 06, 2024	Jun 26, 2024			
Vikram 06 24	Series A1 SNs	47.64	47.64	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SNs	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	Amount Rated (Rs. crore)	Current Rating
Vikram 06 24	Series A1 SNs	June 26 2024	12.25%	January 10, 2026	47.64	[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.

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.

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