

November 26, 2024

DMI Finance Private Limited: Rating reaffirmed for PTCs issued under personal loan securitisation transaction

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
PLUM I	PTC Series A1	90.53	39.42	0.29	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan receivables originated by DMI Finance Private Limited (DMI/Originator; rated [ICRA]AA; Rating Watch with Negative Implications/[ICRA]A1+). The rating action factors in the significant amortisation of the pool, which has led to significant build-up of the credit enhancement cover over the future PTC payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is nil as compared to the monthly collection level observed in the pool till the October 2024 payout month.

Pool performance summary

A summary of the performance of the pool till the September 2024 collection month (October 2024 payout) has been tabulated below.

Parameter	PLUM I
Months post securitisation	21
Pool amortisation	86.46%
PTC Series A1 amortisation	99.68%
Cumulative collection efficiency ¹	98.43%
Cumulative prepayment rate	25.54%
Loss-cum-30+ (% of initial pool principal) ²	6.23%
Loss-cum-90+ (% of initial pool principal) ³	5.21%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	59.11%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	10.74%
Principal subordination (% of balance pool) PTC A1	97.92%
Breakeven collection efficiency ⁴	0.00%

¹ Cumulative collections till date including advance collections but excluding prepayments / Cumulative billings till date + Opening overdues

² POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

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

⁴ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available) / Balance pool cash flows

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 flow back to the originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A1 principal. Also, in the event of a shortfall in meeting the promised PTC payouts during any month, the trustee will utilise the CC to meet the same.

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 the CC fully covering the future PTC payouts to the investors, on account of significant pool and PTC amortisation.

Credit challenges

Not applicable

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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

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

Liquidity position: Superior

The liquidity is superior since the available CC fully covers the balance PTC payouts.

Rating sensitivities

Positive factors – Not applicable.

Negative factors –The rating for PTCs is unlikely to be downgraded as the CC available in the transaction is sufficient to meet the future investor payouts.

Analytical approach

The rating action is based on the performance of the pool till September 2024 (collection month), the present delinquency profile of the pool, the credit enhancement 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

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 (standalone)

Particular for	FY2022 (Audited)	FY2023 (Audited)	FY2024 (Audited)
Operating Income	652	1,222	2,024
Profit After Tax	58	324	417
Total managed assets	7,233	9,038	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

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
						November 26, 2024	November 27, 2023	
PLUM I	PTC Series A1	90.53	0.29	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM I	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	Trust Name	Instrument Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	PLUM I	PTC Series A1	December 30, 2022	9.25%	June 20, 2026	0.29	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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