

November 27, 2024

Protium Finance Limited: Rating upgraded for PTCs issued under secured MSME (LAP) loan receivables securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Turiya LAP - 230701	Series A PTC	68.24	68.24	25.02	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)
Turiya LAP - 230802	Series A1 PTC	31.21	31.21	13.25	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of secured MSME (LAP) loan receivables originated by Protium Finance Limited (Protium/Originator). The rating has been upgraded for both the pools on account of the high amortisation, which has led to a significant build-up of the credit enhancement cover over the future PTC payouts in these transactions. The rating also draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pools till the November 2024 payout month.

Pool performance summary

Parameter	Turiya LAP – 230701	Turiya LAP – 230802
Payout month	November 2024	November 2024
Months post securitisation	15	14
Pool amortisation	46.1%	41.4%
PTC amortisation	63.3%	57.5%
Cumulative collection efficiency ¹	97.6%	98.8%
Cumulative prepayment rate	35.4%	30.6%
Average monthly prepayment rate	2.9%	2.6%
Loss-cum-30+ dpd ² (% of initial pool)	4.2%	1.6%
Loss-cum-90+ dpd ³ (% of initial pool)	2.8%	1.2%
Cumulative CC utilisation	0.0%	0.0%
Breakeven collection efficiency ⁴	33.4%	38.0%
CC (% of balance pool)	14.8%	13.6%
Principal subordination (% of balance pool) ⁵	35.4%	31.2%
Excess interest spread (EIS; % of balance pool) ⁶	59.9%	55.7%

Transaction structure

As per the transaction structure for both the pools, 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 PTC principal. Any prepayment in the pool would be used for the prepayment of PTC principal.

¹ (Cumulative current and overdue collections till date)/Cumulative billing till date

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

⁵ (Pool principal – PTC principal) / Pool principal outstanding

⁶ (Pool Cash flows – PTC Cash flows) / Pool Principal outstanding

Key rating drivers and their description

Credit strengths

Healthy collections in the pool – Both the pools have reported healthy collection efficiency with cumulative collection efficiency of above 97% for both the pools as on November 2024 payout month. This has resulted in low delinquencies with loss cum 90+ dpd below 2.25% for both the pools as on November-24 payout month.

Build-up of credit enhancement – The upgrade in rating for both the pools factors in the build-up in the credit enhancement with cash collateral increasing to ~14% of the balance pool principal as compared to 8.00% at the time of securitisation in both the pools. Internal credit support is also available through principal subordination and excess interest spread (EIS) in both the transactions.

Credit challenges

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.

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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.25% and 3.75% for Turiya LAP – 230701 and Turiya LAP - 230802 respectively. The average prepayment rate for both the underlying pools is modelled in the range of 6.0% to 20.0% 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 transactions are as follows:

Transaction Name	Turiya LAP – 230701	Turiya LAP – 230802
Originator	Protium Finance Limited	Protium Finance Limited
Servicer	Protium Finance Limited	Protium Finance Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	DBS Bank India Limited	DBS Bank India Limited
Collection and payout account bank	DBS Bank India Limited	DBS Bank India Limited

Liquidity position: Superior

The liquidity for PTCs is superior for both the pools after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be more than 10 times the estimated loss for both the pools.

Rating sensitivities

Positive factors – Not Applicable

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 (Protium) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of Protium Finance Limited’s portfolio till June 2024, the present delinquency levels and the credit enhancement available in the pools, 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

Protium Finance Limited (Protium) is a systemically important non-deposit taking (ND-SI) non-banking finance company (NBFC) registered with the Reserve Bank of India (RBI). The company was incorporated in 2019 as Growth Source Financial Technologies Limited and was rechristened Protium Finance Limited in June 2022. Protium is engaged in providing secured and unsecured loans to MSME, educational institution & hospital funding, consumer loans and small financial institutional funding. The company operates through a network of 87 branches spread across 17 states as on March, 2024.

Key financial indicators

Protium Finance Limited	FY2023	FY2024	H1FY2025
Total income	432.5	729.0	477.1
Profit after tax	59.5	115.3	89.7
Assets Under Management	2,908.1	4,941.9	5,824.2
Gross stage 3	0.7%	1.7%	2.3%
CRAR	50.3%	57.9%	50.9%

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

S. No.	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
					Nov 27, 2024	Nov 20, 2023	July 25, 2023	-	-	
1	Turiya LAP - 230701	Series A PTC	68.24	25.02	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	

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			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 27, 2024	Dec 20, 2023	Sep 05, 2023	-	-	
1	Turiya LAP - 230802	Series A1 PTC	31.21	13.25	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	

Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Turiya LAP – 230701	Series A PTC	Moderately Complex
Turiya LAP - 230802	Series A1 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 / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Turiya LAP – 230701	Series A PTC	July 27, 2023	8.55%	November 6, 2035	25.02	[ICRA]AAA(SO)
Turiya LAP - 230802	Series A1 PTC	August 31, 2023	8.55%	August 6, 2025	13.25	[ICRA]AAA(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.

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