

November 28, 2024

NeoGrowth Credit Private Limited: Rating actions on PTCs issued under two MSME business loans securitisation transactions

Summary of rating actions

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Leo Trust August 2023	PTC Series A	42.29	NA	1.95	[ICRA]AA+(SO); Upgraded from [ICRA]A(SO)
Aryabhata-2 Trust September 2023	Series A1 SN	29.40	NA	0.00	[ICRA]A+(SO); Withdrawn

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of micro, small and medium enterprise (MSME) business loan receivables originated by NeoGrowth Credit Private Limited {NCPL/Originator; rated [ICRA]BBB+ (Stable)}.

The rating for Leo Trust August 2023 have been upgraded on account of the significant amortisation in the pool, which has led to the cash collateral (CC) covering the entire future PTC payouts.

ICRA has withdrawn the rating for Aryabhata-2 Trust September 2023 since all the payouts to the investors in the instrument have been made and no further payments are due to the investors. For this transaction, the key rating drivers, liquidity position, rating sensitivities have not been captured as the rating assigned to the instrument has been withdrawn. The previous detailed rating rationale is available at the following link: [Aryabhata 2 trust September 2023](#)

Pool performance summary

Parameter	Leo Trust August 2023
Payout month	October 2024
Months post securitisation	14
Pool amortisation (as % of initial pool principal)	83.82%
PTC Amortization - PTC Series A1	95.39%
Cumulative collection efficiency ¹	88.04%
Loss-cum-0+ (% of initial pool principal) ²	7.90%
Loss-cum-30+ (% of initial pool principal) ³	7.24%
Loss-cum-90+ (% of initial pool principal) ⁴	5.47%
Cumulative cash collateral (CC) utilisation	0.00%
Cumulative prepayment rate	3.48%
Breakeven collection efficiency ⁵ for Series A1 PTC	0.00%
CC (% of balance pool)	30.90%
Principal subordination (% of balance pool) Series A1 PTC	74.69%
Excess interest spread (EIS; % of balance pool) for Series A1 PTC ⁶	5.85%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² POS on contracts aged 0+ dpd / POS on the pool at the time of securitization

³ POS on contracts aged 30+ dpd / POS on the pool at the time of securitization

⁴ POS on contracts aged 90+ dpd / POS on the pool at the time of securitization

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool cash flows – Cash flows to PTC A)/Pool principal outstanding

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 the Series A1 PTC principal.

Key rating drivers and their description

For Leo Trust August 2023

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	Leo Trust August 2023
Originator	NeoGrowth Credit Private Limited
Servicer	NeoGrowth Credit Private Limited
Trustee	Catalyst Trusteeship Limited
CC Bank	DCB Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

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

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings for PTCs are 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 (payout month), the present delinquency levels and 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 ICRA's Policy on Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

NeoGrowth Credit Private Limited, which commenced operations in FY2013, is a non-deposit taking systemically important non-banking financial company (NBFC) providing loans to SMEs. The company was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include ON Mauritius, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), Trinity Inclusion Ltd. (Leapfrog), Mr. Arun Nayyar (Managing Director (MD) & Chief Executive Officer (CEO)), IIFL Seed Ventures Fund and FMO (the Dutch entrepreneurial development bank). Prior to setting up NeoGrowth, the promoters had founded and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and those with whom merchants have point of sales terminals. The AUM stood at Rs 2,916 crores as on Sep 30, 2024.

Key financial indicators

NCPL	FY2022	FY2023	FY2024
	Audited	Audited	Audited
Total income	363	383	601
Profit after tax	(39)	17	71
Total AUM	1,559	1,852	2,750
GS3	10.8%	3.2%	3.7%
CRAR	22.3%	23.2%	28.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
						Nov 28, 2024	Nov 02, 2023		
1	Leo Trust August 2023	PTC Series A	42.29	1.95	[ICRA]AA+SO	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Nov 28,2024	Nov 21,2023	Sep 25, 2023	-	-
Aryabhata-2 Trust September 2023	Series A1 SN	29.40	0.00	[ICRA]A+(SO); Withdrawn	[ICRA]A+(SO)	Provisional: [ICRA]A+(SO)		

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Leo Trust August 2023	PTC Series A	Moderately Complex
Aryabhata-2 Trust September 2023	Series A1 SN	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	Current Amount Rated (Rs. crore)	Current Rating
Leo Trust August 2023	PTC Series A	August 25, 2023	11.25%	January 16,2026	1.95	[ICRA]AA+(SO)
Aryabhata-2 Trust September 2023	Series A1 SN	September 18,2023	11.25%	January 31,2026	0.00	[ICRA]A+(SO); Withdrawn

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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