

December 19, 2024

Protium Finance Limited: Rating upgraded for SNs issued under secured MSME (LAP) and machinery loan receivables 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
Turiya BL - 2310	Series A1 SNs	51.35	51.35	29.71	[ICRA]AA+(SO); upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SNs) are backed by a pool of secured micro, small and medium enterprise (MSME) loan against property (LAP) and machinery loan receivables originated by Protium Finance Limited (Protium/Originator). The rating has been upgraded on account of the healthy collections with moderate pool amortisation, which has led to significant build-up of the credit enhancement cover over the future SN payouts in the transaction. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortably higher than the actual collection level observed in the pool till the November 2024 payout month.

Pool performance summary

Parameter	Turiya BL - 2310
Payout month	November 2024
Months post securitisation	13
Pool amortisation	39.6%
SN amortisation	42.8%
Cumulative collection efficiency ¹	98.6%
Cumulative prepayment rate	24.7%
Loss-cum-30+ dpd ² (% of initial pool)	2.1%
Loss-cum-90+ dpd ³ (% of initial pool)	1.6%
Cumulative CC utilisation	0.0%
Breakeven collection efficiency ⁴	65.8%
CC (% of balance pool)	8.3%
Principal subordination (% of balance pool) ⁵	9.9%
Excess interest spread (EIS; % of balance pool) ⁶	33.9%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). 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 SN 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 – SN principal)/Pool principal outstanding

⁶ (Pool cash flows – SN cash flows)/Pool principal outstanding

Key rating drivers and their description

Credit strengths

Healthy collections in the pool – The pool has reported healthy collection efficiency with a cumulative collection efficiency of ~99% as of the November 2024 payout month. This has resulted in low delinquencies with a loss-cum-90+ days past due (dpd) of 1.6% as of the November 2024 payout month.

Build-up of credit enhancement – The rating upgrade factors in the build-up of the credit enhancement cover with the cash collateral increasing to ~8% of the balance pool principal from 5% at the time of securitisation. Internal credit support is also available through principal subordination and EIS.

Adequate servicing capability of the originator – The company has adequate processes for the servicing of the loan accounts in the securitised pool. It has a demonstrated track record of around six years of regular collections and recoveries across a wide geography.

Credit challenges

Basis rate risk – The yield for the SNs in the transaction is linked to an external benchmark while the interest rate on the underlying loans is linked to the Originator's lending rate, leading to basis risk in the structure.

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 pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.00%. The average prepayment rate for the underlying pool 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 transaction are as follows:

Transaction Name	Turiya BL - 2310
Originator	Protium Finance Limited
Servicer	Protium Finance Limited
Trustee	Catalyst Trusteeship Limited
CC bank	DBS Bank India Limited
Collection and payout account bank	DBS Bank India Limited

Liquidity position: Strong

The liquidity for the SNs is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be around 5.25 times the estimated loss for 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 (Protium) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Protium’s portfolio till September 2024, 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
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 financial company (NBFC) registered with the Reserve Bank of India (RBI). It was incorporated in 2019 as Growth Source Financial Technologies Limited and was rechristened Protium Finance Limited in June 2022. Protium provides secured and unsecured loans to MSMEs, educational institution & hospital funding, consumer loans and small financial institutional funding. The total assets under management (AUM) stood at Rs. 5,824 crore as of September 2024 against Rs. 2,908 crore as of March 2023. The company had a network of 104 branches spread across 17 states as of September 2024.

Key financial indicators

Protium Finance Limited	FY2023	FY2024	H1 FY2025
Total income	432.5	729.0	477.1
Profit after tax	59.5	115.3	89.7
AUM	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
					Dec 19, 2024	Jan 23, 2024	Nov 07, 2023	-	-		
1	Turiya BL - 2310	Series A1 SNs	51.35	29.71	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA (SO)	-	-		

Complexity level of the rated instruments

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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)*	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
Turiya BL - 2310	Series A1 SNs	November 10, 2023	9.05%	November 12, 2034	29.71	[ICRA]AA+(SO)

Source: Company; * Linked to 1-year MCLR of investor

Annexure II: List of entities considered for consolidated analysis

Not applicable

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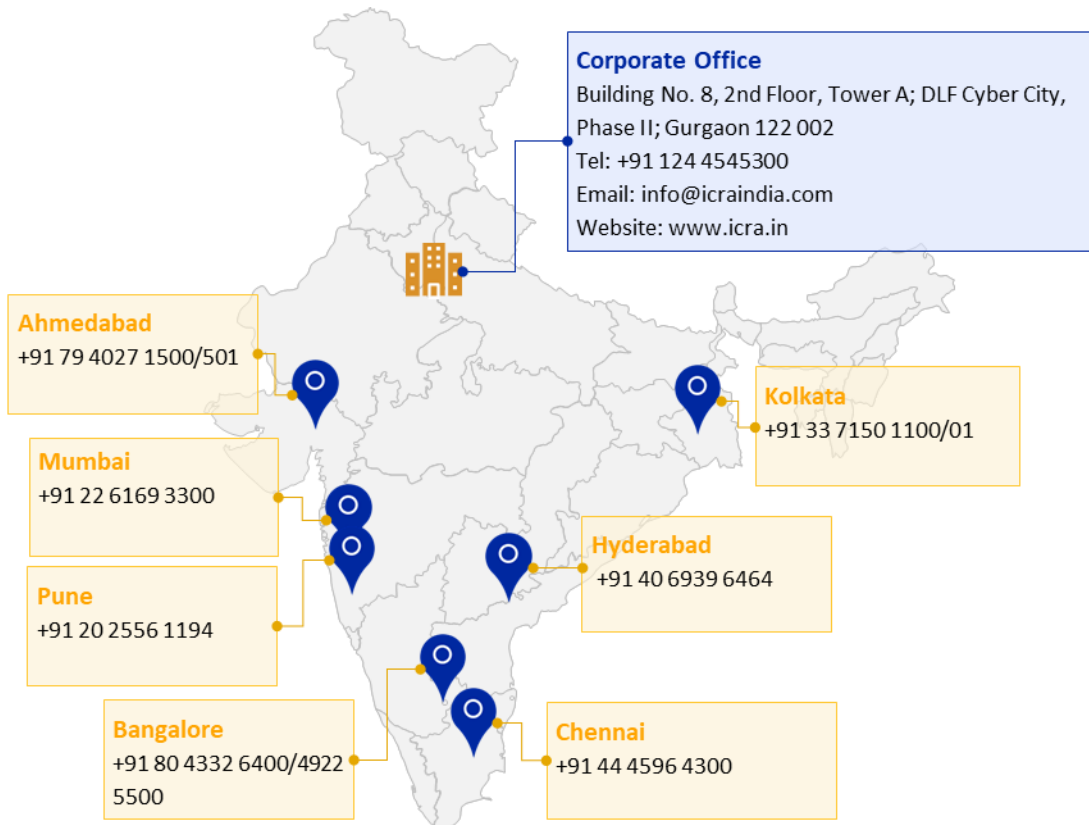


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