

December 30, 2024

DMI Finance Private Limited: Ratings reaffirmed for PTCs issued under personal loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Nov-24 Payout (Rs. crore)	Rating Action
PLUM 24-4	PTC Series A1	127.24	NA	26.85	[ICRA]AA(SO); reaffirmed
PLUM 24-5	PTC Series A1	97.76	NA	34.65	[ICRA]AA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of personal loan receivables originated by DMI Finance Private Limited (DMI/Originator; rated [ICRA]AA; Rating Watch with Negative Implications/[ICRA]A1+). The rating actions factor in the high amortisation of the pools, which has led to healthy build-up of the credit enhancement cover over the future PTC payouts. The ratings also draws comfort from the fact that the breakeven collection efficiency is lower as compared to the monthly collection level observed in the pools till the November 2024 payout month. DMI is the servicer for both these transactions.

Pool performance summary

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

Parameter	PLUM 24-4	PLUM 24-5
Months post securitisation	13	12
Pool amortisation	69.55%	56.84%
PTC Series A1 amortisation	78.90%	64.56%
Cumulative collection efficiency ¹	101.12%	101.94%
Cumulative prepayment rate	30.51%	25.35%
Loss-cum-30+ (% of initial pool principal) ²	6.11%	5.77%
Loss-cum-90+ (% of initial pool principal) ³	4.62%	3.71%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
CC available (as % of balance pool)	26.25%	13.90%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	14.79%	15.63%
Principal subordination (% of balance pool) PTC A1	39.06%	27.74%
Breakeven collection efficiency ⁴	31.51%	52.11%

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

Build-up of credit enhancement – The rating reaffirmation factors in the build-up in the credit enhancement with cash collateral increasing to ~26% of the balance pool compared to 8.00% at the time of initial rating exercise for PLUM 24-4 and ~14% of the balance pool compared to 6.00% at the time of initial rating exercise for PLUM 24-5. Further internal credit support is also available through principal subordination and excess interest spread (EIS) for both the pools. Further there has been nil CC utilization in the pools in any of the payouts.

Adequate servicing capability of the originator- The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a moderate track record of over 4 years of regular collections across a wide geography.

Credit challenges

Risks associated with lending business – The pools' 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 pools are exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower. On October 17, 2024, RBI issued directions to DMI to cease and desist from sanction and disbursal of loans, effective from close of business of October 21, 2024. Any probable impact on the collection efficiency and asset quality of the pools would be a monitorable.

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 both the pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.75% of the initial pool with certain variability around it. The average prepayment rate for the underlying pools is modelled in the range of 5% to 18% 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	PLUM 24-4	PLUM 24-5
Originator	DMI FINANCE PRIVATE LIMITED	DMI FINANCE PRIVATE LIMITED
Servicer	DMI FINANCE PRIVATE LIMITED	DMI FINANCE PRIVATE LIMITED
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	DCB Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank

Liquidity position: Strong

For both the pools, the liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be 4.75 times and 4.50 times the estimated loss in the PLUM 24-4 and PLUM 24-5 pools respectively.

Rating sensitivities

Positive factors – The ratings could be upgraded on the sustained strong collection performance of the underlying pool of contracts leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (DMI) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till November 2024 (collection month), the present delinquency profile of the pools, the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

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 Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					December 30, 2024	December 07, 2023		
PLUM 24-4	PTC Series A1	127.24	26.85	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Trust Name	Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					December 30, 2024	December 29, 2023		
PLUM 24-5	PTC Series A1	97.76	34.65	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM 24-4	PTC Series A1	Moderately Complex
PLUM 24-5	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 24-4	PTC Series A1	September 30, 2023	9.35%	March 20, 2027	26.85	[ICRA]AA(SO)
NA	PLUM 24-5	PTC Series A1	October 31, 2023	9.30%	April 20, 2027	34.65	[ICRA]AA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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