

January 17, 2025

## Protium Finance Limited: Rating upgraded for PTCs issued under secured MSME (LAP) 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 LAP - 2401	Series A1 PTCs	29.49	29.49	15.77	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)

\*Instrument details are provided in Annexure I

### Rationale

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

### Pool performance summary

Parameter	Turiya LAP – 2401
Payout month	December 2024
Months post securitisation	11
Pool amortisation	33.0%
PTC amortisation	46.5%
Cumulative collection efficiency <sup>1</sup>	98.0%
Cumulative prepayment rate	23.8%
Average monthly prepayment rate	2.4%
Loss-cum-0+ dpd <sup>2</sup> (% of initial pool)	7.5%
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	1.6%
Cumulative CC utilisation	0.0%
Breakeven collection efficiency <sup>4</sup>	43.8%
Cash Collateral (CC; % of balance pool)	12.0%
Principal subordination (% of balance pool) <sup>5</sup>	24.1%
Excess interest spread (EIS; % of balance pool) <sup>6</sup>	56.6%

### 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.

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

<sup>2</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

<sup>3</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

<sup>4</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

<sup>5</sup> (Pool principal – PTC principal) / Pool principal outstanding

<sup>6</sup> (Pool Cash flows – PTC Cash flows) / Pool Principal outstanding

## Key rating drivers and their description

### Credit strengths

**Healthy pool performance** – The pool has reported healthy collection efficiency with cumulative collection efficiency of ~97% as on December 2024 payout month. This has resulted in low delinquencies with loss cum 90+ dpd below 2% as on December 2024 payout month. The break-even collection efficiency has also declined to ~44% for the transaction. Further, there have been no instances of cash collateral utilisation for the pool till date owing to strong collection performance and presence of EIS in the transaction.

**Substantial credit enhancement available in the structure**– The upgrade in rating factors in the build-up of credit enhancement with cash collateral increasing to ~12% of the balance pool principal as compared to 8.00% at the time of securitisation. Internal credit support is also available through principal subordination and excess interest spread (EIS).

**Adequate servicing capability of Protium Finance Limited** - The company has adequate processes for servicing of the loan accounts in the securitised pool. It has a demonstrated track record of ~6 years of regular collections and recovery across a wide geography.

### Credit challenges

**Interest rate risk** – The transaction is exposed to interest rate risk as the interest rate on the underlying loans is floating and linked to originator's benchmark rate whereas PTC Yield is fixed for the transaction.

**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 4.50% with certain variability around it.. 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 – 2401
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: Superior

The liquidity for PTCs is superior for the pool 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 the pool.

## 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 could also exert pressure on the rating.

## Analytical approach

The rating action is based on the analysis of the performance of Protium Finance Limited’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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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, and small financial institutional funding. The total AUM in H1FY2025 stood at Rs. 5,824 crore as against AUM of Rs. 2,908 crore in FY2023. The company operates through a network of 104 branches spread across 17 states as on September, 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
					January 17, 2025	March 14, 2024	January 19, 2024	-	-	
1	Turiya LAP - 2401	Series A1 PTCs	29.49	15.77	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	

## Complexity level of the rated instruments

Trust Name	Instrument	Complexity Indicator
Turiya LAP – 2401	Series A1 PTCs	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 – 2401	Series A1 PTCs	January 15, 2024	8.50%	July 10, 2036	15.77	[ICRA]AAA(SO)

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable

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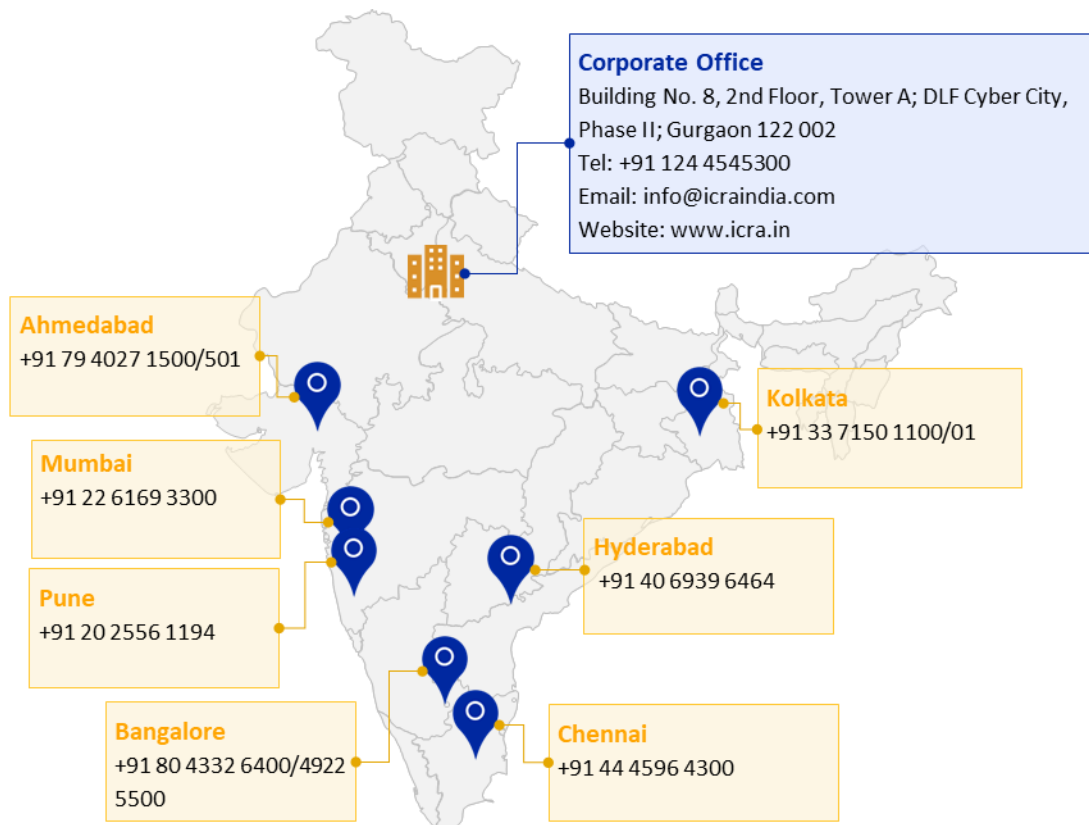


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