

January 20, 2025

Share Microfin Limited: Rating confirmed as final for PTCs backed by micro enterprise loan receivables issued by Sensei 09 2024

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Sensei 09 2024	Series A1 PTCs	14.99	[ICRA]A(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional rating to Series A1 PTCs issued by Sensei 09 2024 under a securitisation transaction originated by Share Microfin Limited (SML/Originator). The PTCs are backed by a pool of micro enterprise loan receivables originated by SML with an aggregate principal outstanding of Rs. 17.14 crore (pool receivables of Rs. 19.85 crore).

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said ratings have now been confirmed as final.

Pool performance summary:

Parameter	Sensei 09 2024
Payout Month	October 2024
Months post securitisation	3
Pool amortisation	27.5%
Series A1 PTC Amortisation	31.5%
Monthly Collection Efficiency	99.65%
Cumulative collection efficiency (including advance collections)	100.2%
Cumulative Prepayment rate	0.4%
Loss-cum-0+ dpd	0.5%
Loss-cum-30+ dpd	0.3%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation	0.0%

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.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 0.86 crore, provided by the Originator, (ii) over-collateralisation of 12.50% of the initial pool principal for Series A1 PTCs, and (iii) the EIS of 10.52% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 4,631 contracts, with no contract exceeding 1% of the pool principal (or top 10 contracts forming only 0.23% of the pool principal), thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, over-collateral and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts

Seasoned contracts in the pool – The pool has amortised by almost 26% as on the cut-off date with no delinquencies observed in any of the contracts, post loan disbursement, thereby reflecting the borrowers' relatively better credit profile.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Credit challenges

Moderate geographical concentration – The pool has moderate geographical concentration with the top 3 states, viz. Bihar, Madhya Pradesh and Uttar Pradesh, contributing ~53% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc. Nonetheless, the contracts are well-diversified across multiple districts with the top 10 districts not exceeding 20% of the pool amount, which alleviates the concentration risk to some extent.

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. The performance of microfinance loans would also be exposed to political and communal risks.

Increasing delinquencies in microfinance sector – The microfinance sector has seen a decline in collections and consequently rise in delinquencies in the current fiscal on account of multiple factors like heat wave, general elections and borrower overleveraging. Any sustained impact of these factors on the collections from the pool would be 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 based on 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 4.25% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3.0% to 9.0% 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 mentioned below:

Transaction Name	Sensei 09 2024
Originator	Share Microfin Limited
Servicer	Share Microfin Limited
Trustee	Vardhman Trusteeship Private Limited
CC holding bank	ICICI Bank Limited
Collection and payout account Bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 5.50 times the estimated loss in 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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

SML is a non-deposit accepting non-banking financial company-microfinance institution (NBFC-MFI), incorporated as a public limited company in 1999. It provides microfinance loans to women from the weaker sections of society under the joint liability group (JLG) model. Mr. M. Udaia Kumar is the founder of the company but has stepped down from the position of Managing Director (MD). Mr. K.V. Rao is the new MD and Chief Executive Officer (CEO). He has over 35 years of experience in the fields of banking and finance. Mr. Rao has a proven track record in operational designing & management and in developing strategies that bring innovation, growth and transformation.

SML's operations are geographically diversified with the company having a presence in 18 states across 295 districts and 720 branches. Its assets under management (AUM) stood at Rs. 550.0 crore as of March 2024 (Rs. 628.5 crore as of March 2023). The company reported a net profit of Rs. 2.1 crore on a managed asset base of Rs. 675.9 crore in FY2024 compared to Rs. 4.3 crore and Rs. 722.0 crore, respectively, in FY2023.

Key financial indicators

Share Microfin (standalone)	Ind-AS	Ind-AS	Ind-AS
	Audited	Audited	Provisional
	FY2023	FY2024	Q1 FY2025
Total income	163.0	87.7	30.7
Profit after tax	4.3	2.1	0.3
Total managed assets	722.0	675.9	675.2
Gross stage 3	0.9%	1.4%	1.8%
CRAR	78.2%	69.4%	72.7%

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

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	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
				January 20, 2025	October 07, 2024			
Sensei 09 2024	Series A1 PTCs	14.99	14.99	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Sensei 09 2024	Series A1 PTCs	September 27, 2024	12.75%	May 17, 2026	14.99	[ICRA]A(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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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