January 20, 2025

DMI Finance Private Limited: Rating reaffirmed for PTCs issued under personal loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
PLUM 24-6	PTC Series A1	51.43	NA	15.79	[ICRA]AA+(SO); Reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The pass-through certificates (PTCs) are backed by pool of personal loan receivables originated by DMI Finance Private Limited (DMI/Originator; rated [ICRA]AA(Stable)/[ICRA]A1+). DMI is the servicer for the transaction. The rating reaffirmation factors in the high amortisation of the pool, which has led to healthy build-up of the credit enhancement cover over the future PTC payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is lower as compared to the monthly collection level observed in the pool till the December 2024 payout month.

Pool performance summary

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

Parameter	PLUM 24-6
Months post securitisation	12
Pool amortisation	53.32%
PTC Series A1 amortisation	69.30%
Cumulative collection efficiency[1]	100.87%
Cumulative prepayment rate	19.94%
Loss-cum-30+ (% of initial pool principal)[2]	7.44%
Loss-cum-90+ (% of initial pool principal)[3]	5.06%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	21.42%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	15.80%
Principal subordination (% of balance pool) PTC A1	40.81%
Breakeven collection efficiency[4]	33.81%

[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 passed on to PTC Series A1 investors 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 ~21% of the balance pool compared to 10% at the time of initial rating exercise. Further internal credit support is also available through principal subordination and excess interest spread (EIS). Further there has been nil CC utilization in the pool 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 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 pool is 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.

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 5.75% 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 transaction is as follows:

Transaction Name	PLUM 24-6
Originator	DMI FINANCE PRIVATE LIMITED
Servicer	DMI FINANCE PRIVATE LIMITED
Trustee	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Superior

The liquidity for PTC Series A1 is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~6 times the estimated loss in the pool.

Rating sensitivities

Positive factors –The rating 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 rating 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 rating.

Analytical approach

The rating action is based on the performance of the pool till November 2024 (collection month), the present delinquency profile of the pool, 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

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.
On October 17, 2024, RBI had issued directions to DMI to cease and desist from sanction and disbursal of loans, effective from close of business of October 21, 2024. On January 08, 2025 the restrictions were lifted on the entity by RBI.

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

<table>
<tr><th rowspan="3">Trust Name</th><th colspan="4">Current Rating (FY2025)</th><th colspan="4">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Initial Rated Amount (Rs. crore)</th><th rowspan="2">Current Rated Amount (Rs. crore)</th><th>Date & Rating in FY2025</th><th colspan="2">Date & Rating in FY2024</th><th>Date & Rating in FY2023</th><th>Date & Rating in FY2022</th></tr>
<tr><th>January 20, 2025</th><th>January 04, 2024</th><th>January 02, 2024</th><th>-</th><th>-</th></tr>
<tr><td>PLUM 24-6</td><td>PTC Series A1</td><td>51.43</td><td>15.79</td><td>[ICRA]AA+(SO)</td><td>[ICRA]AA+(SO)</td><td>Provisional [ICRA]AA+(SO)</td><td></td><td></td></tr>
</table>

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLUM 24-6	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
INE0SNU15013	**PLUM 24-6**	PTC Series A1	December 29, 2023	9.20%	April 25, 2027	15.79	[ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Abhishek Dafria
+91 22 6114 3440
abhishek.dafria@icraindia.com

Gaurav Mashalkar
+91 22 6114 3431
gaurav.mashalkar@icraindia.com

Abhishek Jena
+91 22 6114 3432
abhishek.jena@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Ritu Rita
+91 22 6114 3409
ritu.rita@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches