

January 20, 2025

NeoGrowth Credit Private Limited: Rating actions on PTCs issued under two MSME business loans securitisation transactions

Summary of rating actions

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Taurus Trust December 2023	Series A PTC	59.34	NA	10.57	[ICRA]A(SO); Reaffirmed
Aries Trust October 2023	PTC Series A1	61.84	NA	0.94	[ICRA]AA+(SO); Upgraded from [ICRA]A(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of micro, small and medium enterprise (MSME) business loan receivables originated by NeoGrowth Credit Private Limited {NCPL/Originator; rated [ICRA]BBB+ (Stable)}. NCPL also acts as the servicer for the transactions.

The rating for Taurus Trust December 2023 has been reaffirmed as there has been a buildup in credit enhancement cover over the future PTC payouts on account of high amortisation, although the transaction has been impacted by rise in the delinquencies and low collection efficiency.

The rating for Aries Trust October 2023 has been upgraded on account of the significant amortisation in the pool, which has led to the cash collateral (CC) covering the entire future PTC payouts.

The ratings also draw comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the December 2024 payout month.

Pool performance summary

Parameter	Taurus	Aries
Payout month	December 2024	December 2024
Months post securitisation	12	14
Pool amortisation (as % of initial pool principal)	72.54%	86.34%
PTC Amortization - PTC Series A1	82.19%	98.47%
Cumulative collection efficiency ¹	89.41%	88.35%
Loss-cum-0+ (% of initial pool principal) ²	12.04%	11.59%
Loss-cum-30+ (% of initial pool principal) ³	10.40%	10.01%
Loss-cum-90+ (% of initial pool principal) ⁴	8.50%	8.87%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Cumulative prepayment rate	26.26%	39.22%
Breakeven collection efficiency ⁵ for Series A1 PTC	40.41%	<0%
CC (% of balance pool)	14.57%	29.29%
Principal subordination (% of balance pool) Series A1 PTC	42.92%	90.16%
Excess interest spread (EIS; % of balance pool) for Series A1 PTC ⁶	6.75%	4.40%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

² POS on contracts aged 0+ dpd / POS on the pool at the time of securitization

³ POS on contracts aged 30+ dpd / POS on the pool at the time of securitization

⁴ POS on contracts aged 90+ dpd / POS on the pool at the time of securitization

⁵ (Balance cash flows payable to investor – CC available)/Balance pool cash flows

⁶ (Pool cash flows – Cash flows to PTC A)/Pool principal outstanding

Transaction structure

As per the structure for both transactions, 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.

Key rating drivers and their description

For Taurus Trust December 2023

Credit strengths

Build-up of credit enhancement – The rating reaffirmation for Taurus factors in the significant build-up in the credit enhancement with cash collateral increasing to ~15% of the balance pool compared to 4% at the time of initial rating exercise. Further internal credit support is also available through principal subordination and excess interest spread (EIS). Additionally, there has been nil CC utilisation in the pool in any of the payouts.

Servicing capability of the originator – The company has adequate processes for servicing the loan accounts in the securitised pool. It has demonstrated a considerable track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

Rising delinquencies in harder buckets – The pool has seen dip in collections in recent months with monthly collection efficiency below 80% as on Dec-24 payout month with high roll forward seen in harder buckets of 90+dpd. Limited recoveries are expected from harder buckets given the unsecured nature of the pool.

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.

For Aries Trust October 2023

Credit strengths

Substantial credit enhancement available in the structure - The rating upgrade factors in the build-up in the credit enhancement with the CC fully covering the future PTC payouts to the investors, on account of significant pool and PTC amortisation.

Servicing capability of the originator – The company has adequate processes for servicing the loan accounts in the securitised pool. It has demonstrated a considerable track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit Challenges

Rising delinquencies in harder buckets – The pool has seen dip in collections in recent months with monthly collection efficiency below 80% as on Dec-24 payout month with high roll forward seen in harder buckets of 90+dpd. Limited recoveries are expected from harder buckets given the unsecured nature of the pool. However, this risk is mitigated as the CC fully covers the future PTC payouts to the investors.

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 Taurus Trust December 2023, ICRA has estimated the shortfall in the pool principal collection during its tenure at 8.50%. The average prepayment rate for both the underlying pools is modelled in the range of 4.8% to 18.0% 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	Taurus	Aries
Originator	NeoGrowth Credit Private Limited	NeoGrowth Credit Private Limited
Servicer	NeoGrowth Credit Private Limited	NeoGrowth Credit Private Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC Bank	DCB Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank

Liquidity position:

For Taurus Trust December 2023: Adequate

The liquidity for Series A PTC is stretched after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~2.00 times the estimated loss in the pool.

For Aries Trust October 2023: Superior

The liquidity is superior since the available CC fully covers the balance PTC payouts.

Rating sensitivities

For Taurus Trust December 2023

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 could also exert pressure on the rating.

For Aries Trust October 2023

Positive factors – Not applicable

Negative factors – The rating for PTCs are unlikely to be downgraded as the CC available in the transaction is sufficient to meet the future investor payouts.

Analytical approach

The rating actions are based on the performance of the pools till December 2024 (payout month), the present delinquency levels and the credit enhancement available in the pools, 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

NeoGrowth Credit Private Limited, which commenced operations in FY2013, is a non-deposit taking systemically important non-banking financial company (NBFC) providing loans to small and medium enterprises (SMEs). The company was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include Omidyar Network, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), Trinity Inclusion (Leapfrog Investments), FMO, Plenitude Ventures Private Limited and IIFL Seed Ventures Fund. Prior to setting up NCPL, the Founders had founded and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and those with which merchants have point of sales terminals. The assets under management (AUM) stood at Rs. 2,916 crore (own books) as on September 30, 2024.

Key financial indicators

Indicators	FY2023 Audited	FY2024 Audited	H1FY2025 Provisional
Total income	383	601	385
Profit after tax	17	71	13
Total AUM	1,852	2,750	2,881
GS3	3.2%	3.7%	5.0%
CRAR	23.2%	28.5%	27.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
						Jan 20,2025	Jan 09,2024		
1	Taurus Trust December 2023	Series A PTC	59.34	10.57	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-

	Trust Name	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
						Jan 20,2025	Jan 25,2024		
	Aries Trust October 2023	PTC Series A1	61.84	0.94	[ICRA]AA+(SO)	[ICRA]A(SO)	Provisional: [ICRA]A(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Taurus Trust December 2023	Series A PTC	Moderately Complex
Aries Trust October 2023	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

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
Taurus Trust December 2023	Series A PTC	December 26,2023	11.25%	May 16,2026	10.57	[ICRA]A(SO)
Aries Trust October 2023	PTC Series A1	October 23, 2023	11.25%	July 16,2025	0.94	[ICRA]AA+(SO);

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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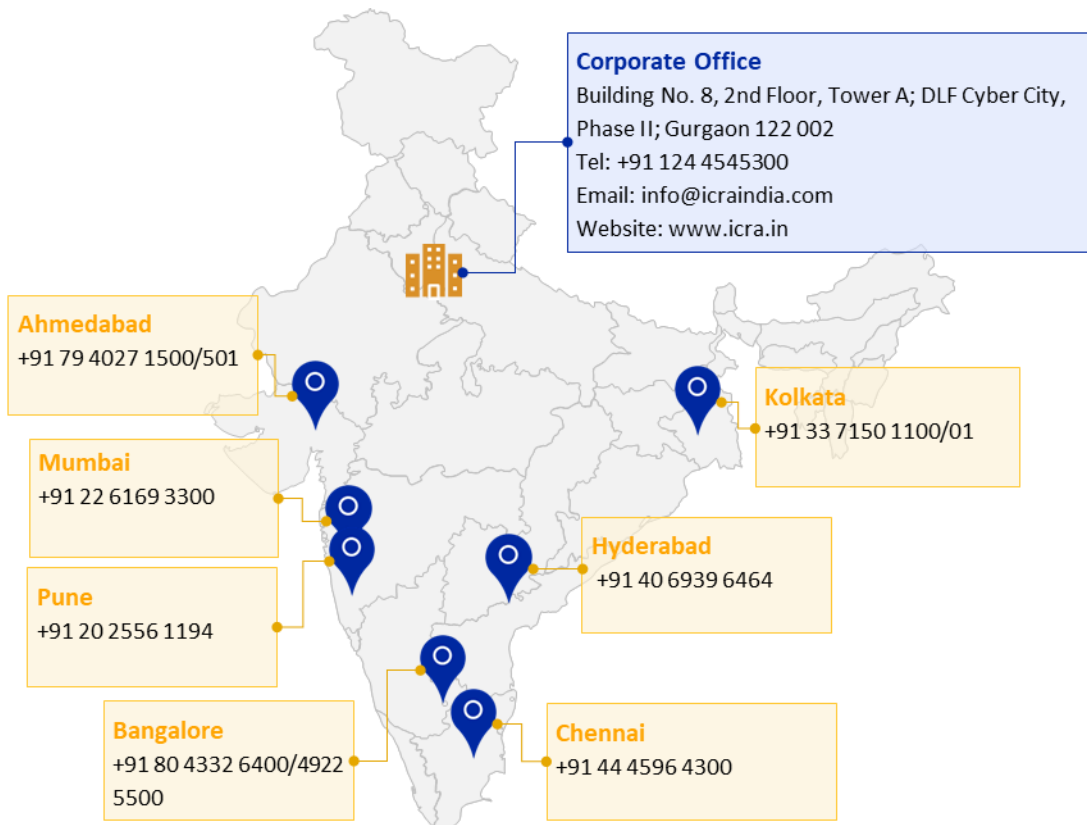
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