

March 24, 2025

## DMI Finance Private Limited: Provisional [ICRA]AA(SO) assigned to PTC Series A1 issued by PLUM 25-8, backed by a pool of personal loan receivables

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
PLUM 25-8	PTC Series A1	199.89	Provisional [ICRA]AA(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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### Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan (PL) receivables originated by DMI Finance Private Limited (DMI/Originator; rated [ICRA]AA(Stable)/[ICRA]A1+) with an aggregate principal outstanding of Rs. 229.76 crore (pool receivables of Rs. 286.27 crore). DMI would also be the servicer of the rated transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### 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 equity tranche investor (in this case the Originator) on a monthly basis (in case there are no EIS trigger events). In case of an EIS trigger event, the EIS available will be used for accelerated redemption of PTC Series A1. Any prepayment in the pool would be used for the prepayment of PTC Series A1 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. 11.49 crore, to be provided by the Originator, (ii) principal subordination of 13.00% of the initial pool principal for PTC Series A1 in the form of an equity tranche, and (iii) the EIS of 17.48% of the initial pool principal for PTC Series A1.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 19,180 obligors, with top 10 obligors forming only 0.19% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**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. Also, ~67% of the contracts have never been overdue since origination while the peak dpd in the balance contracts is up to one month.

**Strong CIBIL score of the underlying borrowers** – All the borrowers in the pool have a minimum CIBIL score of 700 and ~67% of borrowers have a CIBIL score of more than or equal to 750 which signifies a strong credit history of such borrowers.

**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

**Moderate share of high interest rate contracts** – Around 32% (in terms of the principal amount outstanding on the cut-off date) of the contracts in the pool had an interest rate of more than 26%. Contracts with a high rate of interest are considered riskier as they usually indicate the weaker credit profile of the borrower.

**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 ~5.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool 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.

### Liquidity position: Strong

The liquidity for PTC Series A1 is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be ~5.0 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

**Negative factors** – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), 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 analysis of the performance of DMI's PL portfolio till December 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust Deed
2. Deed of Assignment
3. Power of Attorney
4. All other instruments, deeds and documents executed or entered into by the trustee and/or the seller from time to time, for the purpose of the securitisation of the receivables
5. Legal opinion

## Validity of the provisional rating

The trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## 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, DFPL predominantly works through front-end partnerships with other fintech companies, original equipment manufacturers (OEMs) and technology-driven aggregators.

## Key financial indicators (standalone)

Particular for	FY2023 (Audited)	FY2024 (Audited)	H1FY2025 (Unaudited)
Operating Income	1,222	2,024	1,236
Profit After Tax	324	417	138
Total managed assets	9,038	14,520	16,206
Gross Stage 3	3.4%	2.5%	2.6%
CRAR	51%	45%	44%

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

Sr. No.	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
					March 24, 2025	-	-	-
1	PLUM 25-8	PTC Series A1	199.89	199.89	Provisional [ICRA]AA(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
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	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	PLUM 25-8	PTC Series A1	March 21, 2025	9.40%	July 20, 2028	199.89	Provisional [ICRA]AA(SO)

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

Not Applicable

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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](http://www.icra.in)

## ICRA Limited



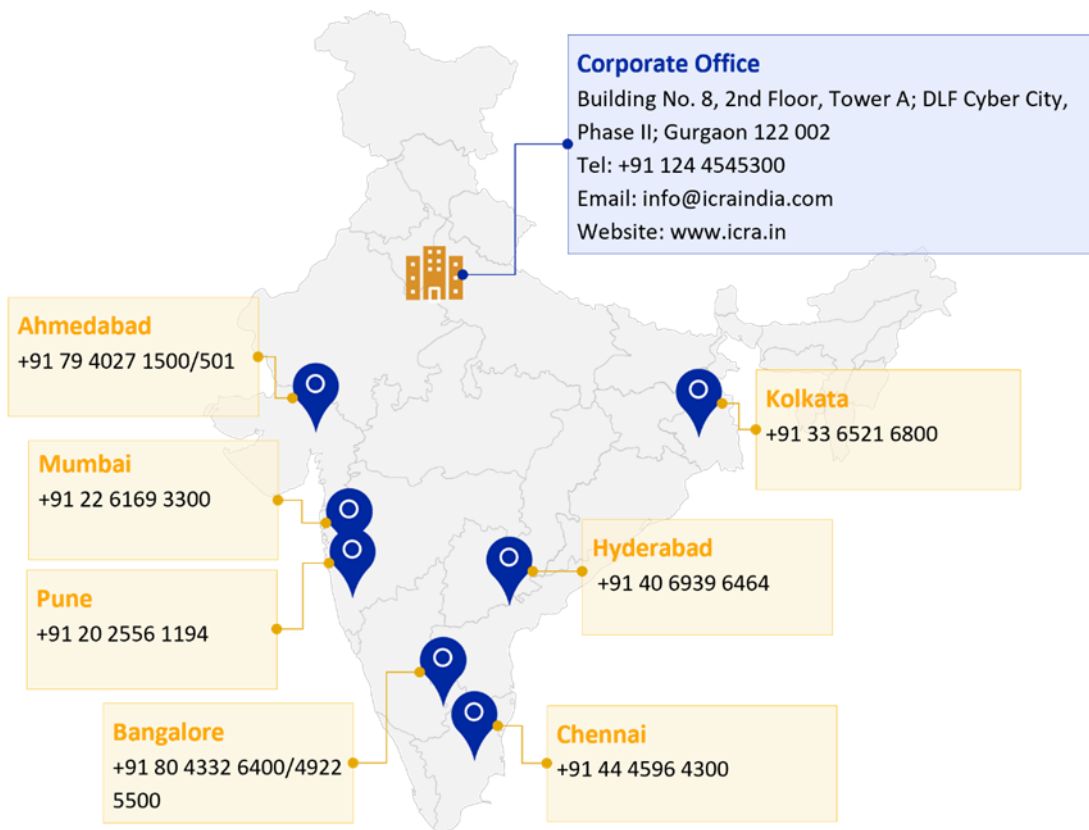
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