

March 29, 2025

## Jacynth Finvest Limited: Provisional [ICRA]BBB(SO) assigned to Series A1 SN backed by a pool of unsecured MSME loan receivables issued by Emerald March 2025

### Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Emerald March 2025	Series A1 SN	5.09	Provisional [ICRA]BBB(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 securitisation notes (SNs) are backed by a pool of unsecured MSME loan receivables originated by Jacynth Finvest Limited (JFL/Originator) with an aggregate principal outstanding of Rs. 5.65-crore (pool principal; receivables of Rs. 7.05 crore). JFL would be also acting as the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement (CE) 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 (90% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised 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 SN principal. The transaction has certain trigger events defined, on occurrence of which the residual cash flows would be passed on to Series A1 SN investors.

The CE available in the structure is in the form of (i) a cash collateral (CC) of 7.00% of the initial pool principal, amounting to Rs. 0.40 crore, to be provided by the Originator, (ii) principal subordination of 10.00% of the initial pool principal for Series A1 SN and (iii) the EIS of 11.97% of the initial pool principal for Series A1 SN.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by the presence of credit enhancement** – The pool is granular in nature, with top 10 obligors forming only 1.6% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the CE 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 investor 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, none of the contracts have never been overdue since origination which is a credit positive.

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

### Credit challenges

**High geographical concentration:** The pool has high geographical concentration with the top one state, viz. Andhra Pradesh contributing ~79% 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.

**Risks associated with lending business:** The performance of the pool 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. Further, pool will be 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 6.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% 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 Series A1 SN is strong after factoring in the CE available to meet the promised payouts to the investor. The total CE would be 4.00 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 CE 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 CE 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 JFL’s loan 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 CE 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. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. KYC Chartered Accountant's certificate
7. Any other documents executed for the transaction

## 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

Jacynth Finvest Limited is non-deposit taking – NBFC and started secured business loan product in FY2007. Business loans are extended to individuals based on their business and family income and repayment capacity by accepting their property as collateral security. The loan is offered to meet his working capital or purchase/improve business asset. The company is spread across 52 branches located in five states. (i.e. Andhra Pradesh, Chhattisgarh, Karnataka, Maharashtra, Telangana) as of December 2024. The portfolio stands at Rs. 116.76 crores with total number of borrowers of 5,093 as of December 2024.

## Key financial indicators (Rs. Crore; audited)

	FY2023	FY2024	9MFY2025*
<b>Total Income</b>	12.6	14.3	13.6
<b>Profit after tax</b>	1.3	2.5	1.7
<b>Asset under management (AUM)</b>	84.5	93.9	116.8
<b>GNPA (%)</b>	4.8%	6.4%	2.1%
<b>NNPA (%)</b>	1.4%	0.0%	0.1%
<b>CRAR</b>	59.6%	57.6%	45.8%

Source: Company data, \*Provisional numbers

## 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	Amount rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				March 29, 2025	-	-	-
1	<b>Emerald March 2025</b>	Series A1 SN	5.09	<b>Provisional [ICRA]BBB(SO)</b>	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SN	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	Emerald March 2025	Series A1 SN	March 28, 2025	15.50%	January 11, 2027	5.09	Provisional [ICRA]BBB(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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



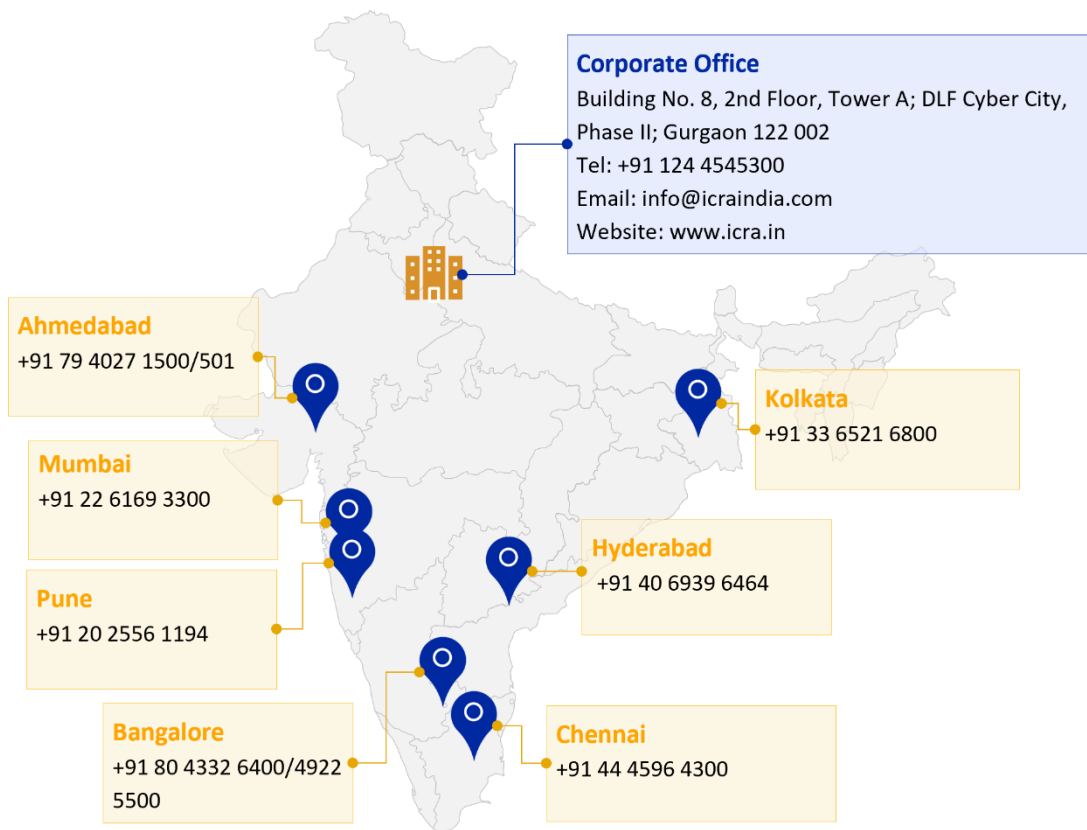
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