

Press Release

Si Creva Capital Services Private Limited

Northern Arc 2019 PL Cordoba (Trust)

December 30, 2019

Rating Assigned



Pass through Certificate*	Rs. 26.82 Cr.
Long Term Rating	ACUITE A (SO) (Assigned: Converted from Provisional to Final Rating)
Pass through Certificate*	Rs. 0.60 Cr.
Long Term Rating	ACUITE BBB (SO) (Assigned: Converted from Provisional to Final Rating)

* Refer Annexure for details

Rating Rationale

Acuite has converted the provisional rating to final rating of '**ACUITE A(SO)**' (read as **ACUITE A (Structured Obligation)**) to the Rs. 26.82 Cr. Series A1 Pass Through Certificates (PTCs), Acuite has also converted the provisional rating to final rating of '**ACUITE BBB (SO)**' (read as **ACUITE triple B (Structured Obligation)**) to the Rs. 0.60 Cr. Series A2 PTCs issued by Northern Arc 2019 PL Cordoba (The Trust) under a securitisation transaction originated by Si Creva Capital Services Private Limited (SiCreva) (The Originator). The PTCs are backed by a pool of personal loans provided to individuals with principal outstanding of Rs. 29.80 Cr (including Rs. 2.38 Cr of overcollateralisation).

The rating is based on the strength of cash flows from the selected pool of contracts and the credit enhancement available in the form of

- (i) Cash collateral of 10.70 percent of the overall pool principal to be provided by the Originator,
- (ii) Overcollateralisation of 8.00 percent of the overall pool principal for Series A1 PTC,
- (iii) Subordinated junior tranche of 2.00 percent (Series A2 PTC) of the overall pool principal for Series A1 PTC; and
- (iv) Excess Interest Spread (EIS) in the structure

The rating assigned is finalised based on fulfilment of conditions under the structure, copies of legal documents executed in accordance with the structure and an independent legal opinion furnished by the Originator, to the satisfaction of Acuite.

About the Originator (Si Creva Capital Services Pvt. Ltd.)

Mumbai based, Si Creva Capital Services Pvt Ltd (SiCreva) is a non-banking finance company (NBFC), established in 2015, and registered with the Reserve Bank of India. SiCreva is a wholly owned subsidiary of OnEMI Technologies Solutions Private Limited (OnEMI) a FinTech Company with an online lending platform named "Kissh". OnEMI's equity investors include Endiya Trustee Private Limited, Greatest Investments Limited, Vertex Ventures Sea Fund, Sistema Asia Fund, amongst others. As per the established business model SiCreva is required to pay to OnEMI business support charges for utilising Kissh platform.

Kissh is a credit-led payment solutions platform that provides consumers easy to access credit for purchases across online and offline channels. Kissh, leverages alternate data sets (surrogates) and is able to assess the creditworthiness of new-to-credit and lower income segments in a real-time/instant process to enable the on-the-spot purchase. The platform is a fully digitized and automated platform that supports all types of credit led purchases such as, EMI-based loan, debit-card EMI solution and credit-card EMI solutions.

SiCreva had a loan book of Rs. 373.94 Cr as on 30 June, 2019. It extends unsecured loans to individuals, either for purchase of consumer durables, electronics i.e. purchase financing loans or personal consumption loans. As on June 30, 2019, 74 percent of the book comprised of loans towards purchase

financing while the remaining 26 percent comprised of personal loans. In terms of borrower credit profile, 57 percent of its portfolio was extended to borrowers with a CIBIL score of 650 and above, while the remaining 43 percent was extended to first time borrowers, based on analysis of other surrogates. SiCreva has an average collection efficiency of 89 percent over the twelve months ending June 30, 2019.

Assessment of the pool:

The pool comprises of loans extended towards both purchase financing and personal loans segment and current pool being securitised comprises ~7.97% of the company's overall exposure as on June 30, 2019. The pool comprises 15510 loans with an average outstanding of Rs. 19,212 each (principal amount). Personal loans formed 57 percent of the pool while balance 43 percent were towards purchase financing. The pool comprises of loans with credit score above 650 and no first time borrowers were part of the pool.

The underlying loans are repayable monthly and are unsecured in nature. As on the pool cut-off date, September 30, 2019, the pool was 21.85 percent amortised with an aggregate principal outstanding balance of Rs. 29.80 Cr. The original maturities of these loans range between 8 to 24 months and residual maturities were between 4 to 21 months. The weighted average rate of interest was 25.10 percent. The weighted average seasoning of the pool is 4 months, with maximum seasoning of 5 months and minimum seasoning of 3 months. There were no overdue in any of the loan accounts as on the pool cut-off date.

Credit Enhancements (CE)

The senior tranche is supported in the form of

- i) Cash collateral of in the form of fixed deposit, equivalent to 10.70 percent i.e. Rs.3.19 Crore (to be kept with bank rated at minimum 'A+' rating) of the overall pool principal in the name of the originator with a lien marked in favour of the trustee for Series A1 PTC
- ii) Overcollateralisation of 8.00 percent of the overall pool principal amount
- iii) Subordinated junior tranche of 2.00 percent (Series A2 PTC) of the overall pool principal for Series A1 PTC and
- iv) Excess interest spread (EIS)

Transaction Structure

The transaction is structured at par. Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A1 PTCs and expected interest payment to Series A2 PTCs. After maturity of Series A1 PTCs, collections will be utilized to make promised interest and expected principal payout to Series A2 PTCs. Any excess amount after making payment to Series A1 and Series A2 PTCs will flow back to the originator on a monthly basis. In case of shortfall in payment to Series A1 & A2 PTCs, cash collateral will be utilized only on the last payout date for making principal payouts. In case if the PAR > 90 in the pool exceeds 8.0 percent, as long as the Series A1 PTCs are live, the EIS shall be utilised to make payments towards the Series A1 PTC principal. Once the Series A1 PTCs have been repaid, then the EIS shall be utilised to make payments towards Series A2 PTC principal. If the PAR > 90 in the pool falls below 8.0 percent, EIS will flow back to the originator. Till the maturity of Series A1 PTCs, all prepayments from the pool during a month will be used to reduce the principal outstanding of Series A1 PTCs and will subsequently be passed to Series A2 PTCs. No principal payment shall be made to the residual beneficiary till Series A1 PTCs have matured. Si Creva will act as the servicer to the transaction.

Brief Methodology:

Acuite has arrived at a base case delinquency estimate of 6.00 – 7.00 percent in respect of the loan assets being securitised. It has applied appropriate stress factors to the base loss figures to arrive at the final loss estimates and consequently the extent of credit enhancement required. The final loss estimates also consider the risk profile of the particular asset class i.e. personal loans, the borrower strata and the collection efficiency over the past twelve months. Acuite has also factored in information asymmetry regarding the credit architecture and certain pool parameters while arriving at the final loss estimate.

Legal Assessment:

It is based on the draft terms since the final legal opinion is awaited. However, based on the draft documents submitted to Acuite the legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy, bankruptcy remoteness of assets, bankruptcy remoteness of the credit enhancement (fixed deposit) from seller, adherence of minimum retention requirement etc.

Key Risks

- **Counterparty Risks:**
The loans are essentially consumption loans with ticket sizes as low as Rs. 5000 and the borrowers are mostly from the lower middle economic strata of society. Considering their income profile and vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of Kissht platform in originating and monitoring exposures based on various surrogates and variables, coupled with the systems and process put in place for post disbursement monitoring.
- **Concentration Risks:**
Since the pool is entirely granular, i.e. underlying assets in the pool are in nature of retail loans to 15510 individual borrowers, hence the risk is significantly mitigated. Geographically, the pool is concentrated in the state of Maharashtra with over 60 percent of the pool was from Maharashtra, however it is spread across various districts.
- **Prepayment Risk:**
The pool is subject to prepayment risks since rate of interest is significantly high and borrowers may be inclined to shift to low cost options (based on availability). In case of significant prepayments, the PTC holders will be exposed to interest rate risks, since the cash flows from prepayment will have to be deployed at lower interest rates.
- **Servicing Risk**
There is limited track record of servicing PTCs, since this is the second PTC transaction for SiCreva.
- **Commingling Risk**
The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.
- **Regulatory Risk**
In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Liquidity Position – Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 10.70 percent of the pool principal. Besides the cash collateral, the overcollateralisation and excess interest spread also provide cushion to the scheduled payouts for the PTC commitments.

Key Rating sensitivity

- Sharp increase in delinquencies i.e. PAR 90 (90 days past due) in the pool for two consecutive months.*
- Drop in Overcollateralisation (OC) (as defined by Total POS/Series A1 POS) and Interest coverage (IC) levels on senior tranche on a monthly basis (as defined by Total Scheduled Interest/Series A1 Interest).*
- Decline in credit quality of originator which could impact the servicing of the PTC, in the opinion of the rating agency.

**Necessary data to be provided by the originator or trustee on a monthly basis*

Key Financials – Originator (Si Creva Capital Services Private Limited)

Particulars	Unit	FY19	FY18
Total Assets	Rs. Cr.	407.55	52.17
Total Income*	Rs. Cr.	17.30	0.84
PAT	Rs. Cr.	1.33	0.07
Net Worth	Rs. Cr.	163.38	28.05
Return on Average Assets (RoAA)	(%)	0.58	0.29
Return on Average Net Worth (RoNW)	(%)	1.39	0.53
Total Debt/Tangible Net Worth (Gearing)	Times	1.33	0.83
Gross NPA	(%)	1.00	0.64
Net NPA	(%)	0.33	0.73

*Total income equals to Net interest income plus other income

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Securitised transactions - <https://www.acuite.in/view-rating-criteria-48.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. In Crore)	Ratings/ Outlook
18 November, 2019	Pass Through Certificates	Long Term	26.82	ACUITE PROVISIONAL A (SO)/ (Assigned)
	Pass Through Certificates	Long Term	0.60	ACUITE PROVISIONAL BBB (SO)/ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Series A1 PTC	19 November, 2019	11.40%	28 July 2021	26.82	ACUITE A (SO)/ (Assigned: Converted from Provisional to Final rating)
Series A2 PTC	19 November, 2019	14.25%	28 July 2021	0.60	ACUITE BBB (SO)/ (Assigned: Converted from Provisional to Final rating)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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