

Press Release

Si Creva Capital Services Private Limited – Northern Arc 2019 PL Cordoba

May 24, 2021

Ratings Withdrawn



Series A1 Pass through Certificates (PTCs) Rated	Rs. 4.50 Cr
Provisional Long Term Rating	ACUITE A(SO) (Withdrawn)
Series A2 PTCs Rated	Rs. 0.60 Cr
Provisional Long Term Rating	ACUITE BBB(SO) (Withdrawn)

Rating Rationale

Acuité has withdrawn the rating of '**ACUITE A(SO)**' (read as **ACUITE A (Structured Obligation)**) to the Rs. 4.50 Cr. Series A1 Pass Through Certificates (PTCs). Acuité has also withdrawn the rating of '**ACUITE BBB (SO)**' (read as **ACUITE triple B (Structured Obligation)**) to the Rs. 0.60 Cr. Series A2 Pass Through Certificates (PTCs) issued by Northern Arc 2019 PL Cordoba (The Trust) under a securitisation transaction originated by Si Creva Capital Services Private Limited (Si Creva) (The Originator). The PTCs are backed by a pool of personal loans provided to individuals with initial principal outstanding of Rs. 29.80 Cr (including Rs. 2.38 Cr of over collateralisation). As on end October 2020, the pool principal outstanding is Rs. 8.61 Cr (including over collateralisation), while the PTC amount outstanding stood at Rs. 5.10 Cr.

The transaction has been paid in full. It has also been redeemed and all the contractual obligations and pay-outs to the investors have been duly completed. Hence, the rating is being withdrawn. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and pursuant to a request received from the company in this regard.

The rating was based on the strength of cash flows from the selected pool of contracts, the credit enhancement available in the form of (i) Cash collateral provided by the Originator, (ii) Over-collateralisation and, (iii) Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure. Acuité has reviewed the pool performance since the transaction's inception till the payouts in November 2020 and also taken into account the impact of Covid-19 on collections.

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

Mumbai based, Si Creva Capital Services Pvt Ltd (Si Creva) is a non-banking finance company (NBFC), established in 2015, and registered with the Reserve Bank of India. Si Creva 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, Sistena Asia Fund, amongst others. As per the established business model Si Creva 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.

Si Creva had a loan book of Rs. 324.50 Cr as on 30 September, 2020. It extends unsecured loans to individuals, either for purchase of consumer durables, electronics, i.e. purchase financing loans or personal consumption loans. As on September 30, 2020, 54% of the book comprised of loans towards purchase financing while the remaining 46% comprised of personal loans. In terms of credit profiling parameters, 55% of its portfolio was extended to borrowers with a CIBIL score of 650 and above, while the remaining 45% was extended to first time borrowers, based on analysis of

other surrogates.

Assessment of the pool:

As per the initial ratings, the pool comprised of loans extended towards both purchase financing and personal loans segment. The pool being securitised comprised 7.97% of the company's overall exposure as on June 30, 2019. The pool comprised of 15510 loans with an average outstanding of Rs. 19,212 each (principal amount). Personal loans formed 57% of the pool, while the balance 43% was towards purchase financing. The pool comprised 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% amortised with an aggregate principal outstanding balance of Rs. 29.80 Cr. The original maturities of these loans ranged between 8 to 24 months and residual maturities were between 4 to 21 months. The weighted average rate of interest was 25.10%. The weighted average seasoning of the pool was 4 months, with maximum seasoning of 5 months and minimum seasoning of 3 months.

As of end of October 2020, 2,791 loans are active in the pool. The pool is 71.10% amortised with an aggregate principal outstanding balance of Rs. 8.61 Cr. The weighted average original maturity of these loans is 27.20 months and the weighted average residual maturity is 10.40 months. The weighted average rate of interest is 29.12%. The weighted average seasoning of the pool is 16.80 months.

The collection efficiency of the transaction is 100%. The 90+dpd as % of original principal outstanding is 1.88% and the 180+dpd as % of original principal outstanding is 0.49%. There has been **NIL** utilization of external credit enhancement in the transaction till end October 2020.

Credit Enhancements

The senior tranche is supported in the form of:

External credit enhancement:

i) Cash collateral of in the form of fixed deposit, which, as per initial ratings, was equivalent to 10.70 % (assumed to be kept with a minimum 'AA' rated bank) of pool principal in the name of the originator with a lien marked in favour of the trustee for Series A1. As of October 31, 2020, this external credit enhancement built up to 37.02%.

Internal credit enhancement

- i) Overcollateralisation of 8.00% of the original principal amount, as per initial ratings;
- ii) Subordinated junior tranche of Rs. 0.60 Cr (Series A2 PTC) of the pool principal for Series A1 PTC; and
- iii) Excess interest spread (EIS)

Adequacy of credit enhancement

Acuité expects the available external credit enhancement (cash collateral) and internal credit enhancement (over collateralisation, subordination and EIS) to provide adequate support to the transaction over its remaining tenure. Acuité will continue monitoring the key parameters of the transaction on a regular basis.

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. Once 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, prepayments during a month will be paid to Series A1 PTCs and will subsequently be passed to Series A2 PTCs. No principal payment shall be made to the residual beneficiary till series A PTCs have matured. Si Crev a will act as the servicer to the transaction.

Brief Methodology:

Acuité has arrived at average base case delinquency estimate in respect of the loan assets being securitised of 2.5 – 4%. Acuité has applied appropriate stress factors to the base estimates to arrive at the final loss estimates and consequently the extent of credit enhancement required. The final loss estimates also consider the asset class of personal loans, the borrower strata and the collection efficiency over the past twelve months. Acuité has also factored in information asymmetry regarding the credit architecture and certain pool parameters while arriving at the final loss estimate.

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 economic strata of society. Considering their income profile and vulnerability credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies is partly mitigated, considering the efficacy of Kisht platform in initiating and monitoring exposures based on various surrogates and variables, coupled with the systems and process put in place by the originator 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 individual borrowers, hence the risk is significantly mitigated. Geographically, the pool is concentrated in the state of 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). Acuité observes that in case of a recent PTC transaction, the PTC holder were paid off much in advance of the scheduled date indicative of accelerated payments/ prepayments. 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 for Si Crev a.
- **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.

Impact of COVID19

As per end October 2020, there has been NIL utilisation of external credit enhancement in the transaction, which points to a resilient pool performance during the pandemic, when business disruptions occurred to varying degrees in the economy and collections in NBFCs had got impacted both due to lockdowns and loan moratorium. Additionally, drawing comfort from the steady collection efficiency displayed by the transaction during this period, Acuité expects no utilisation of external credit enhancement in the short to medium term. However, the 90+dpd as % of original principal outstanding increased to 1.88% in end October 2020 from 1.18% in end September 2020, primarily because of actual delinquencies becoming apparent after the moratorium. Also, the unsecured nature of the underlying personal loans might result in further deterioration in the asset quality. The agency anticipates the significant amortization and the adequate internal and external credit enhancements to provide sufficient cushion to the transaction till maturity.

Liquidity Position – Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 37.02% of the pool principal. Besides the cash collateral, the overcollateralisation and excess interest also provide cushion to the servicing of the PTC commitments.

Material Covenants

The following covenant is included in the transaction structure: The collection in month M will be deposited into the Collection and Payout Account (CPA) in the month (M+1).

Key Rating sensitivity

- Operational triggers (data to be submitted to rating agency on monthly basis)
 - a) Borrowers with credit score above 750 not to be below 72 percent of the outstanding principal
 - b) PAR 90 (90 days past due) not to exceed 10 percent of the outstanding principal for two consecutive months
- Overcollateralisation (OC) trigger, OC ratio* on senior tranche not fall below 105%
- Interest coverage (IC) trigger, IC ratio# on senior tranche not to fall below 3.16x.
- Decline in credit quality of originator which could impact the servicing of the PTC, in the opinion of the rating agency.
(*OC Ratio - Principal for overall pool / Principal of Senior tranche)
(#IC Ratio – Scheduled Interest on overall pool / Scheduled Interest on Senior tranche)

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

Particulars	Unit	FY20	FY19	FY18
Total Assets	Rs. Cr.	547.62	407.55	52.17
Total Income*	Rs. Cr.	71.84	17.30	0.84
PAT	Rs. Cr.	5.71	1.33	0.07
Net Worth	Rs. Cr.	169.09	163.38	28.05
Return on Average Assets (RoAA)	(%)	1.20	0.58	0.29
Return on Average Net Worth (RoNW)	(%)	3.44	1.39	0.53
Total Debt/Tangible Net Worth (Gearing)	Times	1.90	1.33	0.83
Gross NPA	(%)	2.60	1.00	0.64
Net NPA	(%)	0.00	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-52.htm>
- Securitised transactions - <https://www.acuite.in/view-rating-criteria-48.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. In Crore)	Ratings/ Outlook
16 December, 2020	Pass Through Certificates	Long Term	4.50	ACUITE A (SO) (Reaffirmed)
	Pass Through Certificates	Long Term	0.60	ACUITE BBB (SO) (Reaffirmed)
30 December, 2019	Pass Through Certificates	Long Term	26.82	ACUITE A (SO) (Assigned: Converted from Provisional to Final rating)
	Pass Through Certificates	Long Term	0.60	ACUITE BBB (SO) (Assigned: Converted from Provisional to Final rating)

15 Nov ember, 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 Nov ember, 2019	11.40%	November 2021	4.50	ACUITE A (SO) (Withdrawn)
Series A2 PTC	19 November, 2019	14.25%	November 2021	0.60	ACUITE BBB (SO) (Withdrawn)

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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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