

Press Release

Mitrata Inclusive Financial Services Private Limited - CredAvenue .
01 2021



April 21, 2022

Rating Upgraded

Product			Short Term Rating
Pass Through Certificates (PTCs)	0.79	ACUITE BBB+ SO Upgraded	-
Total Outstanding Quantum (Rs. Cr)	0.79	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB+(SO)**' (read as **ACUITE triple B plus (Structured Obligation)**) from '**ACUITE BBB(SO)**' (read as **ACUITE triple B (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 0.79 Cr (as of Mar 2022 payout) issued by CredAvenue Jamal 01 2021 under a securitisation transaction originated by Mitrata Inclusive Financial Services Private Limited (MIFSPL) (The Originator).

The rating addresses the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date of December 17, 2022, in accordance with the transaction documentation. The transaction is structured at par.

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

- Over collateralisation of 1.34 Cr.;
- Cash collateral of 0.28 Cr.; and
- Excess Interest Spread of Rs. 0.08 Cr.

The rating upgrade takes into account the significant pool amortisation of 76.88% with no utilisation of cash collateral and the increase of cash collateral level to 12.98% from 3.00% of the current pool principal outstanding. As of March 2022, the 90+dpd as a % of Original POS stood at to 1.47%, with the 180+dpd at 0.67%, which are well within the initial assumptions.

About the Originator

Mitrata Inclusive Financial Services Private Limited ("MIFSPL") is an NBFC-MFI; the company was incorporated as Sona Finance Private Limited (SFPL) in 1985 by V. Nagarajan and was engaged in SME lending prior to being taken over by the current promoters in 2017.

Mitrata is promoted by a social development professional and retail banking professional. Dr. Aqueel Khan is Phd in Women Empowerment and Mr. Prabhakar Rawat was Head of retail banking for Barclays in Rajasthan. MIFSPL provides microfinance credit through women Joint Liability Group Model (JLG). Mitrata was started as a small NGO program in 2010 in U.P. It started as a response to income generation needs of the community where ASK/ATG the parent NGO who were working on Child Education, Health, Nutrition, Women development etc. Considering the rapport and relationship with the community the program started

expanding to artisans, self-employed women and to rural communities. An initial revolving fund of Rs.1 cr was allocated, and gradually the portfolio started building through its organic growth.

In 2016 the promoters purchased an existing NBFC by the name of Sona Finance Pvt Ltd. The NBFC purchased the portfolio of 8 branches from the NGO at par value amounting to 6.75 Cr. and started operation from September 01, 2017. SFPL obtained its NBFC-MFI license on 18 April 2018. The name was changed to MIFSPL on 20th December 2018.

MIFSPL has reported net profit of Rs. 77.68 lakhs on operating income of Rs. 22.56 Cr in FY2021. In FY2020, MIFSPL had reported net profit of Rs. 34.54 Lakhs on operating income of Rs.14.48 Cr. As on Dec 31, 2021, MIFSPL has an outstanding loan portfolio of Rs.209.31 Cr spread over 49 branches of 05 states. The company's portfolio outstanding witnessed a growth from Rs.174.52 Cr as on Mar 31, 2021 to Rs.209.31 Cr as on Dec 2021.

Assessment of the Pool

As per the initial rating, the pool comprised of MFI loans extended to 3,172 individual borrowers. The initial pool of Rs. 9.20 Cr (original amount) was unsecured and repayable fortnightly and monthly. The pool had an average ticket size of Rs. 37,253, minimum ticket size of Rs. 22,500 and maximum of Rs. 50,000. The average outstanding per borrower stood at Rs. 29,004. The weighted average original tenure for the pool was 27.03 months (minimum 19 months and maximum 35.5 months). The pool had a weighted average seasoning of 8.51 months, with minimum 3 months seasoning and maximum 18 months seasoning. The pool was concentrated in Uttar Pradesh (52.9%), followed by Bihar (35.2%), Haryana (7.1%), Madhya Pradesh (2.2%) and Rajasthan (2.0%). The customers belonged to agriculture-allied activities industry (63.9%), small business industry (35.7%) and handloom handicraft industry (0.3%).

As of March 2022, the pool comprises of 2,542 borrowers, with a pool principal outstanding of 2.13 Cr. The pool has amortized significantly by 76.88% with no utilization of credit enhancement, which is a healthy sign. The cash collateral, which was 3.00% of the POS during initial rating, has increased considerably to 12.98% of the current POS. The 90+dpd as a % of Original POS stood at to 1.47%, with the 180+dpd at 0.67%, which are well within the initial assumptions.

Credit Enhancements (CE)

The transaction is supported in the form of

- i. Over collateralisation of 1.34 Cr.;
- ii. Cash collateral of 0.28 Cr.; and
- iii. Excess Interest Spread of Rs. 0.08 Cr.

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 1 PTCs and expected interest payment to Series 1 PTCs.

Assessment of Adequacy of Credit Enhancement

Acuité has arrived at a base case delinquency estimate of 5.0% – 6.0% in respect of the loan assets being securitised. Acuité has further 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. unsecured loans, the borrower strata, economic risks and the demonstrated collection efficiency over the past eleven months. Acuité has also considered the limited track record of operations of the originator and certain pool parameters while arriving at the final loss estimate. Acuité has accounted for the probable impact of COVID19 in the transaction for its analysis.

Legal Assessment

The rating is assigned based on the fulfilment of the structure, terms and covenants detailed

in the executed trust deed, servicing agreement, legal opinion, accounts agreement, assignment agreement and other documents relevant to the transaction.

Key Risks

Counter Party Risks

The pool has an average ticket size of Rs. 37,391, minimum ticket size of Rs. 22,500 and maximum of Rs. 50,000. Considering their vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

Concentration Risks

Since the pool is entirely granular, i.e. underlying assets in the pool are in nature of MFI loans to 2,542 individual borrowers, hence the risk is significantly mitigated.

Servicing Risks

There is limited track record of servicing PTCs, since this is the first PTC transaction for the originator.

Regulatory Risks

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Prepayment Risks

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). Prepayment risks are partially mitigated by prepayment penalty levied by the company for pre-closures. 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.

Rating Sensitivity

- Collection performance of the underlying pool
- Credit quality of the underlying borrowers
- Decrease in cover available for PTC payouts from the credit enhancement

Material Covenants

The following covenant is included in the transaction structure:

The purchase consideration to be paid by the issuer to the originator for purchasing the pool is equal to Series A1 issue price.

Liquidity Position: Adequate

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 0.28 Cr. The PTC payouts will also be supported by an internal credit enhancement in the form of over collateralisation (1.34 Cr.) and excess interest spread (0.08 Cr.).

Outlook

Not Applicable

Key Financials – Originator - Standalone

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	107.89	89.69
Total Income*	Rs. Cr.	12.25	7.29
PAT	Rs. Cr.	0.78	0.35
Net Worth	Rs. Cr.	25.01	24.23
Return on Average Assets (RoAA)	(%)	0.79	0.47
Return on Average Net Worth (RoNW)	(%)	3.16	1.83
Debt to Equity ratio	Times	3.17	2.61
Acute Ratings & Research Limited	(%)	0.41	www.acuite.in
NNPA	(%)	0.13	0.00

**Total income equals to Net interest income plus other income*

Any Other Information

None

Status of non-cooperation with previous CRA (if applicable):

None

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Securitized 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 May 2021	Pass Through Certificates	Long Term	8.10	ACUITE BBB(SO) (Assigned)
03 Mar 2021	Pass Through Certificates	Long Term	8.10	ACUITE Provisional BBB (SO) (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	01-03-2021	12.75	Not Applicable	0.79	ACUITE BBB+ SO Upgraded

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About Acuité Ratings & Research

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