

## Press Release

Subhlakshmi Finance Private Limited - CredAvenue Frost 04 20

July 13, 2022



### Rating Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	7.00	ACUITE BBB   SO   Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	7.00	-	-

### Rating Rationale

Acuite has withdrawn the rating of 'ACUITE BBB(SO)' (read as ACUITE triple B (Structured Obligation)) to the Pass Through Certificates (PTCs) of Rs. 7.00 Cr issued by CredAvenue Frost 04 2021 under a securitisation transaction originated by Subhlakshmi Finance Private Limited (SFPL) (The Originator). The PTCs are backed by a pool of unsecured business loans with principal outstanding of Rs. 7.78 Cr (including Rs. 0.78 Cr of over collateralisation).

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 Hence, the rating is being withdrawn.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 Acuite's policy on withdrawal of rating and pursuant to a request received from the company in this regard.

The rating addressed the timely payment of interest on monthly payment dates and the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation. The transaction was structured at par.

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

- i. Over collateralisation of 10.0% of the pool principal;
- ii. Cash collateral of 8.00% of the pool principal; and
- iii. Excess Interest Spread of Rs. 0.80 Cr. i.e. 10.27 % of the pool principal

### About the Originator

Subhlakshmi Finance Private Limited (SFPL) was originally incorporated in 1996 as PepsuCapital Services Private Limited. In 2016, the promoters acquired Pepsu Capital Services Private Limited and renamed it to SFPL which commenced operation in January 2017 and is engaged in extending credit to micro enterprises, small enterprises along with business loans to individuals.

SFPL is led by Mr. Durgeshwar Kumar Mishra (CEO and Executive Director), Mr. Sanjeev Yadav (COO and Executive Director) and Mr. Bipin Sharma (CFO and Executive Director) who have over two decades of experience in the financial services industry and have been associated with leading players in the microfinance industry.

SFPL has presence in the northern States of India having presence in Haryana, Delhi, Punjab, Uttar Pradesh, etc. The company is engaged in financing of Micro Enterprise Loans, SME,

### Assessment of the Pool

SFPL had Asset Under Management of Rs. 147.38 Cr as on March 31, 2021. The current pool being securitised comprises 5.28% of the total loan exposures.

The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of unsecured business loans extended towards 2,885 borrowers, with an average ticket size of Rs. 37,362, minimum ticket size of Rs. 25,000 and maximum of Rs. 52,400. The current average outstanding per borrower stands at Rs. 26,954. The weighted average original tenure for pool is 18.33 months (minimum 3 months & maximum 36 months). The pool has weighted average seasoning of 5.70 months (minimum 3 months seasoning and maximum 19 months seasoning). The pool under consideration was not under moratorium and all the loans are current as on pool cut-off date, March 31, 2021. Furthermore, all the loans have remained current since origination.

The pool is concentrated in Bihar (82.6%), followed by Uttar Pradesh (11.0%), Haryana (4.5%), Punjab (1.6%) and Rajasthan (0.23%). The loans belong to the categories of micro-enterprise loans (86.21%), integrated cattle loans (8.58%), business loans (3.85%) and small enterprise loans (1.36%).

### Credit Enhancements (CE)

The transaction is supported in the form of

- i. Over collateralisation of 10.0% of the pool principal;
- ii. Cash collateral of 8.00% of the pool principal; and
- iii. Excess Interest Spread of Rs. 0.80 Cr. i.e. 10.27 % of the pool principal

### Transaction Structure

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

### Assessment of Adequacy of Credit Enhancement

Acuité has arrived at a base case delinquency estimate of 1.5% – 2.5 % in respect of the loan assets being securitised. Acuité has further 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 few months. Acuité has also considered the 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. 37,362, minimum ticket size of Rs. 25,000 and maximum of Rs. 52,400. Considering the 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 granular, i.e. underlying assets in the pool are in nature of unsecured business

loans to 2,885 borrowers, hence the risk is significantly mitigated. However, there is significant geographical concentration in the pool, since Bihar contributes to 82.6% of the pool, which is partially mitigated as the pool is spread across 37 branches.

### **Servicing Risks**

There is limited track record of servicing PTCs, since this was one of the first PTC transactions 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.

### **Commingling Risk**

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

### **Rating Sensitivity**

- Collection performance of the underlying pool
- Credit quality of the underlying borrowers

### **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 8.0% of the pool principal. The PTC payouts will also be supported by an internal credit enhancement in the form of over collateralisation (10.00 % of pool principal) and excess interest spread (10.27 % of pool principal).

### **Outlook - Not Applicable**

### **Key Financials - Originator**

Particulars	Unit	FY22 (Actuals)	FY21 (Actuals)
Total Assets	Rs. Cr.	150.05	149.47
Net Interest Income	Rs. Cr.	14.43	15.17
PAT	Rs. Cr.	3.12	1.08
Net Worth	Rs. Cr.	33.13	27.01
Return on Average Assets (RoAA)	(%)	2.08%	0.77%
Return on Average Net Worth (RoNW)	(%)	10.67%	4.31%
Debt to Equity ratio	Times	2.94	4.23
GNPA	(%)	1.46%	0.77%
NNPA	(%)	-	0.69%

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

None.

### Any Other Information

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
28 Jul 2021	Pass Through Certificates	Long Term	7.00	ACUITE BBB(SO) (Assigned)
07 May 2021	Pass Through Certificates	Long Term	7.00	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	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB   SO   Withdrawn

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### About Acuité Ratings & Research

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