

Press Release

Moneyboxx Finance Limited - Northern Arc 2021 SBL Stresemann

August 25, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	0.37	ACUITE BBB SO Upgraded	-
Total Outstanding Quantum (Rs. Cr)	0.37	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded rating of 'ACUITE BBB(SO)' (read as ACUITE triple B (Structured Obligation)) from 'ACUITE BBB-(SO)' (read as ACUITE triple B minus (Structured Obligation)) to the Pass Through Certificates (PTCs) of Rs. 0.37 Cr. (as of July 2022 payout) issued by Northern Arc 2021 SBL Stresemann under a securitisation transaction originated by Moneyboxx Finance Limited (MFL) (The Originator). The PTCs are backed by a pool unsecured business loans with principal outstanding of Rs. 1.18 Cr (including Rs. 0.82 Cr of over collateralisation).

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 28, 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 Rs. 0.82 Cr.
- Cash collateral of Rs. 0.62 Cr. and
- Excess Interest Spread of Rs. 0.09 Cr.

The rating upgrade takes into account the significant pool amortisation of 85.65% with no utilisation of cash collateral and the increase of cash collateral level to 52.28% of the current pool principal outstanding. As of July 2022, the 90+dpd as a percentage of Original POS stood at to 0.19%, with the 180+dpd at 0.07%, which are well within the initial assumptions.

About the Originator

MoneyBoxx Finance Limited (MBFL) is a BSE Listed NBFC providing small ticket loans to micro and small enterprises. It started operations in February 2019, and, as on March 31, 2021, it operates in 4 states, i.e., Rajasthan, Haryana, Madhya Pradesh and Punjab through 22 branches. The company is registered with RBI as Non-systematically Important NBFC engaged in lending and allied activities. The entity is primarily engaged in commercial unsecured lending to MSMEs. As on November 30, 2021, MFL has 282 employees and more than 9,300 active borrowers.

MFL is promoted by Mayur Modi (Co-CEO and COO) and Deepak Aggarwal (Co-CEO and CFO) who are chartered accountants with around 2 decades of experience in the financial services industry. At the board level, MFL has experienced independent directors – Uma

Shankar Paliwal, ex-executive director of RBI and independent director on multiple NBFCs, and Ratna Vishwanathan, ex-IAS Officer from CAG, ex-CEO of MFIN and currently heading India operations of a global NGO.

While the company's scale of operations is modest, its AUM has grown to Rs. 120.99 Cr as on March 31, 2022 from Rs. 63.27 Cr as on March 31, 2021. MFL's GNPA stood at 0.58% (90+dpd) as on March 31, 2022 as against 0.22% (90+ dpd basis) as on March 31, 2021.

Assessment of the Pool

As per the initial rating, the pool in the current Pass Through Certificate (PTC) transaction comprised of unsecured business loans extended towards 893 borrowers, with an average ticket size of Rs. 1.25 lakhs, minimum ticket size of Rs. 50,000 and maximum of Rs. 2.5 lakhs. The average outstanding per borrower stood at Rs. 92,384. The weighted average original tenure for pool was 18.33 months (minimum 3 months & maximum 36 months). The pool had a weighted average seasoning of 7.44 months (minimum 6 months seasoning and maximum of 19 months seasoning). 98.5% of the pool under consideration was not under moratorium and all the loans were current as on pool cut-off date, May 31, 2021. Furthermore, all the loans had remained current as per the initial rating. The pool was concentrated in Rajasthan (35.8%), followed by Madhya Pradesh (34.7%), Haryana (18.2%) and Punjab (11.35%). The loans belonged to the categories of livestock (71.4%), trading (16.7%), kirana (6.3%), manufacturing (5.2%) and services (0.5%).

MFL has Asset Under Management of Rs. 120.99 Cr as on March 31, 2022. As of July 2022, the pool comprises of 497 borrowers, with a pool principal outstanding of 1.18 Cr. The pool has amortized significantly by 85.65% with no utilization of credit enhancement, which is a healthy sign. The cash collateral, which was 7.93% of the POS during initial rating, has increased considerably to 52.28% of the current POS. The 90+dpd as a % of Original POS stood at 0.19%, with the 180+dpd at 0.07%, which are well within the initial assumptions.

Credit Enhancements (CE)

The transaction is supported in the form of

- i. Over collateralisation of Rs. 0.82 Cr.
- ii. Cash collateral of Rs. 0.62 Cr. and
- iii. Excess Interest Spread of Rs. 0.09 Cr.

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.

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 A1 PTCs.

Assessment of Adequacy of Credit Enhancement

Acuité has arrived at a base case delinquency estimate of 1.4% – 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.

Legal Assessment

The conversion of rating from provisional to final, has taken into account, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects.

Key Risks

Counter Party Risks

The current pool has an average ticket size of Rs. 1.21 lakhs, minimum ticket size of Rs. 50,000 and maximum of Rs. 2.5 lakhs. 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 less granular, i.e. underlying assets in the current pool are in nature of unsecured business loans to 497 borrowers, hence the concentration risk remains to a medium degree. However, there is state-wise geographical concentration in the pool, since the current pool is concentrated in Madhya Pradesh (40.07%), followed by Rajasthan (34.08%) which is partially mitigated as the pool is spread across 13 branches.

Servicing Risks

The servicing risk level is medium, since the track record of the originator is moderate in servicing PTCs.

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 Rs. 0.62 Cr. The PTC payouts will also be supported by internal credit enhancements in the form of over collateralisation (Rs. 0.82 Cr.) and excess interest spread (Rs. 0.09 Cr.).

Outlook : Not Applicable

Key Financials - Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	136.98	72.19
Total Income*	Rs. Cr.	12.75	7.36
PAT	Rs. Cr.	(3.72)	(2.97)
Net Worth	Rs. Cr.	34.51	24.15
Return on Average Assets (RoAA)	(%)	(3.56)	(5.07)
Return on Average Net Worth (RoNW)	(%)	(12.68)	(11.60)
Debt/Equity	Times	2.64	1.86
Gross NPA	(%)	0.62	0.22

**Total income equals to Net Interest Income plus other income.*

Any Other Information

Not Applicable

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
25 Aug 2021	Pass Through Certificates	Long Term	7.42	ACUITE BBB- (SO) (Assigned)
19 Jul 2021	Pass Through Certificates	Long Term	7.42	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	16-07-2021	13.50	28-12-2022	0.37	ACUITE BBB SO Upgraded

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About Acuité Ratings & Research

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