

## Press Release

Orange Retail Finance India Private Limited – Webb 09 2021

November 29, 2022

## Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	1.76	ACUITE BBB   SO   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	1.76	-	-
Total Withdrawn Quantum (Rs.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 (Structured Obligation)**) from '**ACUITE BBB-(SO)**' (read as **ACUITE triple B minus (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 1.76 Cr (as of October 2022 payout) issued by Webb09 2021 under a securitisation transaction originated by Orange Retail Finance India Private Limited (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. 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:

- Cash collateral of 1.11 Cr.;
- Over collateralisation along with excess interest spread of 1.34 Cr.

The rating upgrade takes into account the significant pool amortisation of 77.67% with no utilisation of cash collateral and the increase of cash collateral level to 27.17% from 8.00% of the current pool principal outstanding. As of October 2022, the 90+dpd as a % of Original POS stood at to zero percent.

## About the Originator

Orange Retail Finance India Private Limited is a Non-Banking Finance Corporation, providing affordable mobility and livelihood finance solutions to semi-urban and rural India. ORFIL's product offerings include Two Wheeler Loans, Micro-Business Loans, Loan against Property and Swift Cash Loans. As of August, 2022, the company's lending portfolio was spread across 5 states and had 87 branches, with its registered office in Chennai, Tamil Nadu. The entity's AUM stood at Rs 404.36 Cr and it had 91,427 active borrowers as on August 31, 2022.

The founders of ORFIL have experience in retail lending, especially in the south-Indian markets, where ORFIL's business would be focussed in the next few years. Its board of directors consist of, among other member, Mr Ebenezer Daniel (MD & CEO), who has more than two decades of experience in the financial sector.

The company's AUM improved to Rs. 404.36 Cr as on August 31, 2022 from Rs. 371.60 Cr as on March 31, 2022 and Rs. 341.05 Cr as on March 31, 2021. Due to the impact of Covid-19. ORFIL's GNPA increased to 9.01% as on March 31, 2021 from 5.91% as on March 31, 2020. It

further improved to 4.50% as on March 31, 2022 and stood at 5.76% as on August 31, 2022. The company reported a loss of Rs. 8.62 Cr as on March 31, 2022, as compared to a loss of Rs. 8.12 Cr as on March 31, 2021.

### **Assessment of the Pool**

At the time of initial rating, underlying pool in the current Pass Through Certificate (PTC) transaction comprises of two-wheeler loans extended towards 4,411 borrowers, with an average ticket size of Rs. 65,828, minimum ticket size of Rs. 22,000 and maximum of Rs. 1.61 lakhs. The current average outstanding per borrower stands at Rs. 31,529. The weighted average original tenure for pool is 29.89 months (minimum 12 months & maximum 57 months). The pool has weighted average seasoning of 15.66 months (minimum 4 months seasoning and maximum of 42 months seasoning). At 52.10%, the pool is significantly amortised. 59.8% of the pool under consideration was not under moratorium in the previous year and all the loans are current as on pool cut-off date, August 31, 2021. Furthermore, 84.57% of the loans have remained current over the last nine months. 41.05% of the borrowers are concentrated in Tamil Nadu followed by 21.94% in Andhra Pradesh and 18.19% in Karnataka which reflects moderate geographical concentration risks. The top 10 borrowers of the pool constitute 0.67% (Rs.0.9 Cr) of the pool principal outstanding, indicating the healthy granularity of the portfolio.

ORFIL has Asset Under Management of Rs. 404.36 Cr as on August 31, 2022. The current pool being securitised has an outstanding principal of Rs. 4.09 Cr..

The remaining underlying pool in the current Pass Through Certificate (PTC) transaction comprises of two-wheeler loans extended towards 2,468 borrowers, with an average ticket size of Rs. 70,023, minimum ticket size of Rs. 28,000 and maximum of Rs. 1.61 lakhs. The current average outstanding per borrower stands at Rs. 16,589. The weighted average remaining tenure for pool is 8.78 months (minimum 1 months & maximum 20 months). The pool has weighted average seasoning of 22.15 months (minimum 13 months seasoning and maximum of 46 months seasoning). At 77.67%, the pool is significantly amortised.

44.38% of the borrowers are concentrated in Tamil Nadu followed by 20.21% in Andhra Pradesh and 18.41% in Karnataka which reflects moderate geographical concentration risks. 92.96% of the pool principal outstanding has a ticket size less than Rs. 1.00 lakh, indicating the healthy granularity of the portfolio.

### **Credit Enhancements (CE)**

The transaction is supported in the form of

- i. Cash collateral of 1.11 Cr.;
- ii. Over collateralisation along with excess interest spread of 1.34 Cr.

### **Transaction Structure**

The transaction is structured at par. The structure envisages 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 7.5% – 8.5 % 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. Additionally, Acuité has accounted for the probable impact of the Covid pandemic on the transaction for its analysis.

### **Legal Assessment**

The final 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 remaining pool has an average ticket size of Rs. 70,023, minimum ticket size of Rs. 28,000 and maximum of Rs. 1.61 lakhs. Considering the moderately 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**

The pool is fairly granular with the underlying assets in the pool in the nature of two-wheeler loans to 2,468 borrowers and an average POS of Rs 16,589. However, there is a moderate state-wise geographical concentration in the pool; 44.38% of the borrowers are concentrated in Tamil Nadu followed by 20.21% in Andhra Pradesh and 18.41% in Karnataka.

#### **Servicing Risks**

There is limited track record of servicing PTCs, since this is the second PTC transaction for the originator. However, this risk is mitigated by the fact that the company's underlying borrowers have a moderate repayment track record over the past few years.

#### **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 originator
- Any decrease in cover available for PTC payouts from the credit enhancement

#### **Material Covenants**

The following covenant is included in the transaction structure:

On each Payout Date the amounts present in the collection and payment account by way of:

- proceeds realised by the Trustee from the Receivables in the Collection Period immediately preceding the relevant Payout Date and deposited in the collection and payment account by the Servicer;
- any amounts then available in the collection and payment account; and
- amounts drawn, to the extent necessary, from the Credit Enhancement and transferred to the collection and payments account in accordance with the Transaction Documents, shall be utilized by the Trustee as per the waterfall mechanism.

#### **Liquidity Position** **Adequate**

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to Rs.1.11 Cr. The PTC payouts will also be supported by internal credit enhancements in the form of over collateralisation and excess interest spread of Rs.1.34 Cr.

## Outlook

Not Applicable

## Key Financials - Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	294.47	282.80
Total Income (net interest plus other income)	Rs. Cr.	64.93	58.05
PAT	Rs. Cr.	(8.62)	(8.12)
Net Worth	Rs. Cr.	109.46	98.58
Return on Average Assets (RoAA)	(%)	(2.99)	(2.73)
Return on Average Net Worth (RoNW)	(%)	(8.29)	(8.38)
Debt to Equity ratio	Times	1.51	1.55
GNPA	(%)	4.50	9.01
NNPA	(%)	3.60	7.76

## Status of Non Cooperation with Other CRA

None

## Any Other Information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Nov 2021	Pass Through Certificates	Long Term	12.52	ACUITE BBB- (SO) (Assigned)
06 Oct 2021	Pass Through Certificates	Long Term	12.52	ACUITE Provisional BBB- (SO) (Assigned)

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	Not Applicable	Not Applicable	Not Applicable	Highly Complex	1.76	ACUITE BBB   SO   Upgraded ( from ACUITE BBB- SO )

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Basil Paul Manager-Rating Operations Tel: 022-49294065 <a href="mailto:basil.paul@acuite.in">basil.paul@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.