

Press Release

Shri Ram Finance Corporation Private Limited – Kashton 09 202

November 18, 2022

Rating Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	32.06	ACUITE A- SO Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	32.06	-	-

Rating Rationale

Acuite has withdrawn the rating of 'ACUITE A-(SO)' (read as ACUITE A minus (Structured Obligation)) to the Pass Through Certificates (PTCs) issued by Kashton 09 2021 of Rs. 32.06 Cr under a securitisation transaction originated by Shri Ram Finance Corporation Private Limited (SRFCPL) (The Originator).

The PTCs are backed by an underlying pool of loans provided to two-wheeler borrowers with principal outstanding of Rs. 35.23 Cr (including Rs. 3.17 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 Hence, the rating is being withdrawn.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 is available in the form of

- (i) Over collateralisation of 9.00% of the pool principal;
- (ii) Cash collateral of 5.00% of the pool principal;
- (iii) Excess Interest Spread of 12.65% of the pool principal

About the Originator

Raipur (Chhattisgarh) based, SRFCPL was incorporated in 2004 as a Non-Deposit-taking NonBanking Financial Company (ND-NBFC). Subsequently, it started lending business in 2008 upon receiving NBFC license. SRFCPL is engaged in extending two and four wheeler financing, secured and unsecured loans towards SME borrowers, unsecured microloans to individuals and personal loans. The company is promoted by Mr. Ganesh Bhattar and his son Mr. Gaurav Bhattar, who have over a decade of experience in two-wheeler financing. The company primarily operates in six states namely Chhattisgarh, Madhya Pradesh, Odisha, Jharkhand, Maharashtra and Rajasthan through a network of 144 branches as on June 30, 2022.

Of the total AUM of Rs. 615.09 Cr. as on June 30, 2022, Madhya Pradesh accounts for 41.45%, followed by Chhattisgarh, which accounts for 39.03%. SFCPL's networth stood at Rs. 152.35 Cr. as on June 30, 2022 (Provisional), as against Rs. 142.67 Cr. as on March 31, 2022. The company's two wheeler portfolio's 90+dpd witnessed improvement from 3.83% as of March 31, 2021 to 2.89% as of June 30, 2022.

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Assessment of the Pool

SFCPL has two-wheeler Asset Under Management of Rs. 343.40 Cr as on September 30, 2022. The current pool being securitised comprises of 13.02% of the total two-wheeler AUM. The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of two-wheeler loans extended towards 11,672 borrowers, with an average ticket size of Rs. 47,244, minimum ticket size of Rs. 14,200. and maximum of Rs. 1.56 lakhs, indicating a healthy granularity of the pool. The current average outstanding per borrower stands at Rs. 30,187. The weighted average original tenure for the pool is 22.28 months (minimum 8 months & maximum 40 months). The pool has moderate weighted average seasoning of 7.95 months Press Release SHRI RAM FINANCE CORPORATION PRIVATE LIMITED – KASHTON 09 2021 Rating Withdrawn (minimum 4 months seasoning and maximum of 35 months seasoning). No loans of the pool under consideration was under moratorium and all the loans are current as on pool cutoff date, September 20, 2021. Furthermore, 24.0% of the loans have remained current since origination. However, none of the borrowers had ever gone beyond 60dpd, showing a fair track record of the borrowers' repayment. The pool is moderately concentrated geographically. 47.19% of these borrowers are concentrated in Madhya Pradesh followed by 33.27% in Chhattisgarh and 17.56% in Odisha. The top 10 borrowers of pool constitute 0.24% i.e. Rs.0.86 Cr of the pool principal O/s.

Credit Enhancements (CE)

The transaction is supported in the form of

- (i) Over collateralisation of 9.0% of the pool principal;
- (ii) Cash collateral of 5.0% of the pool principal; and
- (iii) Excess Interest Spread of 12.65% of the pool principal

Additionally, the transaction includes Investment of 5% in Series A1 PTCs by the originator.

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 2.0% – 4.0 % 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 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 the Covid-19 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 average ticket size is of Rs. 47,244, minimum ticket size of Rs. 14,200. and maximum of Rs. 1.56 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, monitoring and collection procedures.

Concentration Risks

The pool is fairly granular with the underlying assets in the pool in the nature of two-wheeler loans to 11,672 borrowers and an average POS of Rs 30,187. However, there is a moderate state-wise geographical concentration in the pool; 47.19% of these borrowers are

concentrated in Madhya Pradesh followed by 33.27% in Chhattisgarh and 17.56% in Odisha.

Servicing Risks

There is a moderate track record of servicing PTCs, since the originator has undertaken PTC transactions before. Further, this risk is also 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
- 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 byway 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 5.00% of the pool principal. The PTC payouts will also be supported by internal credit enhancements in the form of over collateralisation (9.00% of pool principal) and excess interest spread (12.65% of pool principal).

Outlook

Not Applicable

Key Financials - Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	589.90	432.47
Total Income*	Rs. Cr.	78.12	76.14
PAT	Rs.	19.94	21.56

	Cr.		
Net Worth	Rs. Cr.	142.67	104.89
Return on Average Assets (RoAA)	(%)	3.90	4.89
Return on Average Net Worth (RoNW)	(%)	16.98	24.29
Debt/Equity	Times	2.99	2.93
Gross NPA	(%)	2.95	3.98
Net NPA	(%)	2.45	3.25

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

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

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>
- Securitised 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Nov 2021	Pass Through Certificates	Long Term	32.06	ACUITE A- (SO) (Assigned)
07 Oct 2021	Pass Through Certificates	Long Term	32.06	ACUITE Provisional A- (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	32.06	ACUITE A- SO Withdrawn

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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.

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