

Press Release

Moneyboxx Finance Limited - Northern Arc 2021 UBL Tigray

March 11, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	8.38	ACUITE BBB- (SO) Assigned; converted to final from provisional rating	-
Total	8.38	-	-

Rating Rationale

Acuité has converted to final from provisional long term rating of 'ACUITE BBB- (SO)' (read as ACUITE triple B minus (Structured Obligation)) to the Pass Through Certificates (PTCs) of Rs. 8.38 Cr issued by Northern Arc 2021 UBL Tigray under a securitisation transaction originated by Moneyboxx Finance Limited (MFL) (The Originator). The PTCs are backed by a pool of unsecured business loans with principal outstanding of Rs. 9.86 Cr (including Rs. 1.48 Cr of over collateralisation).

The rating factors in 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 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 15.00% of the pool principal;
- Cash collateral of 5.00% of the pool principal; and
- Excess Interest Spread of 10.92% of the pool principal

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.

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. 63.27 Cr as on March 31, 2021 from Rs. 29.93 Cr as on March 31, 2020. As on November 30, 2021, the company's AUM stood at Rs. 87.63 Cr (provisional). MFL's GNPA stood at 0.22% (90+ dpd basis) as on March 31, 2021 as against NIL as on March 31, 2020. The company reported a PAT of Rs. (2.97) Cr as on March 31, 2021, as compared to Rs. (3.55) Cr as on March 31, 2020.

Assessment of the pool

MFL has Asset Under Management of Rs. 87.63 Cr as on November 30, 2021 (provisional). The current pool being securitised comprises 11.25% of the total AUM.

The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of unsecured business loans extended towards 1,506 micro enterprise borrowers, with an average ticket size of Rs. 1.21 lakhs, minimum ticket size of Rs. 50,000 and maximum of Rs. 3.0 lakhs. The current average outstanding per borrower stands at Rs. 65,485. The weighted average original tenure for pool is 23.63 months (minimum 12 months & maximum 24 months). The pool has weighted average seasoning of 10.64 months (minimum 8 months seasoning and maximum of 23 months seasoning).

None of the borrowers in the pool under consideration was under moratorium and all the loans are current as on pool cut-off date November 30, 2021. Furthermore, all the loans have remained current since their origination.

39.81% of the borrowers are concentrated in Rajasthan followed by 22.52% in MP. The top 10 borrowers of pool constitute 1.62% i.e. Rs.0.16 Cr of the pool principal O/s. The loans belong to the categories of livestock (71.9%), trading (15.0%), kirana (7.2%), manufacturing (5.3%) and services (0.6%).

Credit Enhancements (CE)

The transaction is supported in the form of

1. Over collateralisation of 15.00% of the pool principal;
2. Cash collateral of 5.00% of the pool principal; and
3. Excess Interest Spread of 10.92% of the pool principal

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 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.

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

Counterparty Risks

The pool has an average ticket size of Rs. 1.21 lakhs, minimum ticket size of Rs. 50,000 and maximum of Rs. 3.0 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

The pool is fairly granular with the underlying assets in the pool in the nature of unsecured business loans to 1,506 borrowers and an average loan size of Rs 1.21 lakhs. However, there is a moderate state-wise geographical concentration in the pool; the pool is concentrated in Rajasthan (38.9%), followed by Madhya Pradesh (22.5%), which is partially mitigated as the pool is spread across 22 branches.

Servicing Risk

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 healthy repayment track record over the past 2 years, and the pool has remained current since origination.

Regulatory Risk

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

Prepayment Risk

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.

Key Rating sensitivity

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

Even if the base case delinquency estimate is increased by 10%, there will be no change in the rating.

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 5.00% of the pool principal. The PTC payouts will also be supported by internal credit enhancements in the form of over collateralisation (15.00 % of pool principal) and excess interest spread (10.92 % of pool principal).

Outlook - Not applicable

Key Financials - Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	72.19	45.16
Total Income*	Rs. Cr.	7.36	3.31
PAT	Rs. Cr.	(2.97)	(3.55)
Net Worth	Rs. Cr.	24.15	27.13
Return on Average Assets (RoAA)	(%)	(5.07)	(11.04)
Return on Average Net Worth (RoNW)	(%)	(11.60)	(15.38)
Debt to Equity ratio	Times	1.92	0.63
GNPA	(%)	0.22	0.00
NNPA	(%)	0.11	0.00

Status of non-cooperation with other CRA

None

Any other information

None

Applicable Criteria

- 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
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Facilities	Term	Size of the Issue (Rs. Cr.)	Ratings/Outlook
January 10, 2022	Series A1 PTC	Long term	8.38	ACUITE Provisional BBB-(SO) (Assigned)

*Annexure – Details of instruments rated

Lender's name	Name of the Facilities	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Not Applicable	Series A1 PTC	December 31, 2021	13.5	April 17, 2023	8.38	ACUITE BBB-(SO) (Assigned; converted to final from provisional)

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