

Press Release

UGRO CAPITAL LIMITED - NIMBUS 2022 ML MAVERICK

May 16, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Pass Through Certificates (PTCs)	3.24	ACUITE AA- SO Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	3.24	-	-



Rating Rationale

Acuite has reaffirmed the long-term rating to a t'ACUITE AA- (SO)' (read as ACUITE double A minus(Structured Obligation) to the Pass Through Certificates (PTCs) of Rs. 3.24 Cr. issued by Nimbus 2022 ML Maverick (The Trust) under a securitisation transaction originated by Ugro Capital Limited (Ugro) (The Originator). The PTCs are backed by a pool of machinery loans.

The rating factors in the timely payment of interest and principal on monthly payment dates in accordance with transaction documentation. The transaction is structured at par.

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

- Cash collateral of Rs 2.16 Cr. of the pool principal outstanding.
- Excess Interest Spread (EIS) of Rs 0.07 Cr. of the pool principal outstanding.

About the Originator

UGRO was originally incorporated as Chokhani Securities Limited in 1993. It is a systemically important non-deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). In 2018, pursuant to a change in control and management, the company was renamed as UGRO Capital Limited. UGRO's equity shares, commercial paper and non-convertible debentures are listed on the Bombay Stock Exchange (BSE). The company's equity is also listed on the National Stock Exchange (NSE). UGRO is headed by Mr. Shachindra Nath, a seasoned finance professional, with more than two decades of experience in the financial services sector. He is the Promoter, Executive Vice Chairman and Managing Director of the company. UGRO is a Mumbai based company (registered office). It has 150 branches across the country as on March 31, 2024. UGRO lends to the MSME segment in nine specifically identified sectors i.e. Healthcare, Education, Chemicals, Food Processing/FMCG, Hospitality, Electrical Equipment's and Components, Auto Components, Light Engineering and Micro-Enterprise segment. UGRO has built diversified distribution channels which consist of Branch led channel, Ecosystem consisting of Supply Chain & Machinery Finance, Partnership & Alliances for Co-lending with smaller NBFCs & FinTechs & Digital Channel.

Assessment of the Pool

As per the initial rating, the underlying pool in the current Pass Through Certificate (PTC) transaction consists of machinery loans extended towards 54 individual borrowers, with an average ticket size of Rs. 30.61 lakhs, minimum ticket size of Rs. 8.8 lakhs. and maximum of Rs. 99.6 lakhs. The current average outstanding per borrower stands at Rs. 24.26 lakhs. The weighted average original tenure for pool is of 49.86 months (minimum 37 months & maximum 61 months). The pool has a healthy weighted average seasoning of 11.83 months (minimum 7 months & maximum 20 months). 98.9% of the loans in the pool did not avail the moratorium that was available during the pandemic period and none of the loans in the pool went into the non-current bucket since origination, which reflect its asset quality. The underlying

machinery for the loans include Computer Numerical Controls (45%), Printers (13%), Vertical Machining Centre (11%), etc. While 73.5% of the customers are individual/ proprietorships, the remaining 26.5% are corporate firms. 24.18% of these borrowers are concentrated in Karnataka followed by 24.14% in Maharashtra, 21.09% in Tamil Nadu, and the remaining across other states. The top 5 borrowers of the pool constitute 27.1% i.e. Rs.3.56 Cr of the pool principal o/s.

Currently, there are 39 borrowers outstanding. Also, there has been no utilisation of credit enhancement in the transaction, thus signalling healthy repayment in the transaction. Since the initial rating, there has been a significant CE built up of 64.14%. Furthermore, the pool has considerably amortised by 74.27%.

Credit Enhancements (CE)

The credit enhancement is available in the form of

- i. Cash collateral of Rs 2.16 Cr of the pool principal outstanding.
- ii. Excess Interest Spread (EIS) of Rs 0.07 Cr of the pool principal outstanding.

Transaction Structure

The rating factors in the timely payment of interest and principal on monthly payment dates in accordance with transaction documentation. The transaction is structured at par.

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 loans are machinery loans with ticket sizes ranging between Rs. 8.8 lakhs. and Rs. 99.6 lakhs. Considering the moderately vulnerable credit profile of the borrowers, the risk of delinquencies/defaults are moderate. These risks of delinquencies are partly mitigated, Acuite Ratings & Research Limited www.acuite.in considering the efficacy of the originator's underwriting processes, coupled with the systems and process put in place for post disbursement monitoring.

Concentration Risks

Since the pool consists of 39 borrowers, moderate concentration risks remain. However, the significant amortisation of the pool and the track record so far of the borrowers mitigate this risk to some extent.

Servicing Risks

There is good track record of servicing machinery loans 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 relatively high and borrowers may be inclined to shift to low cost options (based on availability). 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 pay-out account.

Rating Sensitivity

- Collection performance of the underlying pool.

- Credit quality of the underlying borrowers.
- Any utilization of the cash collateral.

Even if the base case delinquency estimate is increased by 10%, the transaction will stay at the same rating level.

All Covenants (Applicable only for CE & SO Ratings)

The following covenant is included in the transaction structure: The collection in month M will be deposited into the Collection and Pay-out Account (CPA) in the month (M+1).

Waterfall Mechanism:

From the Settlement Date, on each Payout Date, proceeds realised by the Trustee from the Receivables in the Collection Period immediately preceding the relevant Payout Date and deposited in the collection and payout account by the Servicer, together with any amounts then available in the collection and payout account and amounts drawn, to the extent necessary, from the Credit Enhancement and transferred to the collection and payout account in accordance with the Transaction Documents shall be utilized by the Trustee in the orders of priority provided below

A. Till such time the Series A PTCs are outstanding:

- for payment of all statutory and regulatory dues;
- for the payment of any fees and expenses incurred by the Trustee or any fees payable to service providers and/ or any other amounts expressly provided for in the Transaction Documents;
- Payment of overdue payouts to the series A PTCs;
- Payment of scheduled interest payout to the series A PTCs;
- Payment of scheduled principal payouts to the Series A PTCs;
- any prepayments would be utilized for payment of Series A principal;
- for reimbursement of the Credit Enhancement (to the extent drawn on any Payout Date and not reimbursed already);
- For payment to the Residual Beneficiary

B. On completion of payment of the Series A PTCs

- for payment of all statutory and regulatory dues;
- for the payment of any fees and expenses incurred by the Trustee or any fees payable to service providers and/ or any other amounts expressly provided for in the Transaction Documents;
- for payment to the Residual Beneficiary

All Assumptions

Acuité has arrived at a base case delinquency estimate of 1.0% – 2.0% in respect of the loan assets being securitised. Acuite 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 intrinsic risk of the particular asset class, 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.

Liquidity Position

Adequate

The credit enhancement is available in the form of

- Cash collateral of Rs 2.16 Cr. of the pool principal outstanding.
- Excess Interest Spread (EIS) of Rs 0.07 Cr. of the pool principal outstanding.

Outlook

Not Applicable

Key Financials - Originator

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Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	6277.02	4280.11
Total Income*	Rs. Cr.	638.76	390.49
PAT	Rs. Cr.	119.34	39.78
Net Worth	Rs. Cr.	1438.36	984.04
Return on Average Assets (RoAA)**	(%)	2.26	1.12
Return on Average Net Worth (RoNW)	(%)	9.85	4.08
Debt/Equity	Times	3.24	3.20
Gross NPA (Owned Book)	(%)	3.09	2.46
Net NPA (Owned Book)	(%)	1.64	1.31

*Total income equals to Net Interest Income plus other income

**As per Acuité calculations;

Any Other Information

None

Status of disclosure of all relevant information about the Obligation being Rated Non-public information

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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.

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>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 May 2023	Pass Through Certificate	Long Term	7.39	ACUITE AA- (SO) (Reaffirmed)
17 May 2022	Pass Through Certificate	Long Term	13.10	ACUITE AA- (SO) (Assigned)
09 Mar 2022	Pass Through Certificate	Long Term	13.10	ACUITE Provisional AA- (SO) (Assigned)
02 Mar 2022	Pass Through Certificate	Long Term	13.10	ACUITE Provisional AA- (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 avl. / Not appl.	Pass Through Certificate	11 Mar 2022	10.00	17 Jul 2026	Highly Complex	3.24	ACUITE AA- SO Reaffirmed

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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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