

Press Release

Growth Source Financial Technologies Private Limited - Consilience BL - 2203



June 01, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	32.62	ACUITE AA SO Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	32.62	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has converted from Provisional to Final the rating of '**ACUITE AA(SO)**' (read as **ACUITE double A (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 32.62 Cr issued by Consilience BL-2203 (Trust) under a securitisation transaction originated by Growth Source Financial Technologies Private Limited (GSFTPL) (The Originator). The PTCs are backed by a pool of loans provided to borrowers of unsecured business loans with principal outstanding of Rs. 36.25 Cr (including Rs. 2.90 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, 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 8.0% percent of the pool principal;
- Cash collateral of 10.00% of the pool principal; and
- Excess Interest Spread of Rs. 3.94 Cr., i.e. 10.88% of the pool principal
- A subordinated equity tranche of Rs 0.72 Cr., i.e. 2.00% of the pool principal, in the form of investment from GSFTPL

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

Incorporated in 2019, Growth Source Financial Technologies Private Limited (GSFTPL) is a Mumbai based NBFC engaged in lending secured and unsecured loans to SME, MSME and Consumer finance segments. GSFTPL has applied for change in name to Protium. The company is promoted by Consilience Capital Management and led by Mr. Peeyush Misra (Partner & Director) who has over 2 decades of experience in risk management and running global businesses. GSFTPL operates through a network of 53 branches spread across 36 districts/cities and having a presence in 11 states. GSFTPL has a borrower base of around 53,403 borrowers as on November 30, 2021.

GSFTPL extends secured & unsecured loans towards SME & MSME segments. The company

also extends loss guaranteed MSME & consumer finance loans through their channel partners. GSFTPL is promoted by Consilience Capital Management which is backed by marquee global investors.

Assessment of the Pool

GSFTPL has unsecured business loans' Asset Under Management of Rs. 348.65 Cr as on January 31, 2022 and the current pool being securitised comprises 10.40% of this portfolio. The underlying pool of Rs 36.25 Cr in the current Pass Through Certificate (PTC) transaction comprises of unsecured business loans extended towards 271 borrowers, displaying moderate granularity, with an average ticket size of Rs. 19.6 lakhs, minimum ticket size of Rs. 4.8 lakhs. and maximum of Rs. 35.0 lakhs. The current average outstanding per borrower stands at Rs. 13.37 lakhs. The weighted average original tenure for the pool is 28.83 months (minimum 24 months & maximum 42 months). The pool has a healthy weighted average seasoning of 10.08 months (minimum 6 months seasoning and maximum of 21 months seasoning). None of the loans in the pool availed moratorium. Furthermore, none of the loans in the pool had gone into the non-current bucket since origination, which speaks of the proven repayment track record of the borrowers. The borrowers have a significant average business vintage of 11.61 years (minimum 3 years and maximum 71 years). Also, the average CIBIL score for the borrowers in the pool is 762.56, which indicates a healthy credit profile of the underlying customers. All the customers in the selected pool are current as of the cut-off date.

While 49.92% of the customers in the pool belongs to the Sole Proprietorship category, 26.72% belong to the Private Limited Company and 23.36% to the Partnership Firm categories. 11.0% of the borrowers belong to the Healthcare, Hospital, Clinic, Diagnostics industries, followed by Food & Beverages (9.3%), Basic Metals and Fabricated Metal Products (8.1%) and the remaining from other industries.

18.94% of these borrowers are concentrated in Tamil Nadu followed by 18.66% in Maharashtra and 10.71% in Karnataka. The top 10 borrowers of the pool constitute 7.4% (i.e. Rs.2.67 Cr) of the pool principal outstanding. Thus the geographical and the top 10 concentrations in the pool are moderate as per the asset class.

Credit Enhancements (CE)

The credit enhancement is available in the form of

1. Over collateralisation of 8.0% percent of the pool principal;
2. Cash collateral of 10.00% of the pool principal; and
3. Excess Interest Spread of Rs. 3.94 Cr., i.e. 10.88% of the pool principal

Unrated, subordinated equity tranche of Rs 0.72 Cr., i.e. 2.00% of the pool principal, in the form of investment from GSFTPL.

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, till the Series A1 PTCs are outstanding. On payment of Series A1 PTCs in full and till such time the Equity Tranche PTCs /Series A2 PTCs are outstanding, the collections will be utilized for the payment of expected Series A2 principal including any unpaid expected principal payouts to Series A2 PTCs from earlier collection periods.

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.

Assessment of Adequacy of Credit Enhancement

Acuité has arrived at a base case delinquency estimate of 1.7% – 3.0% 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, the borrower strata, economic risks and the demonstrated collection efficiency over the past several 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 COVID19 in the transaction for its analysis. The PTC payouts will also be supported by internal credit enhancement in the form of over collateralisation, excess interest spread and a subordinated equity tranche provided by GSFTPL.

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 pool has average ticket size of Rs. 19.6 lakhs, minimum ticket size of Rs. 4.8 lakhs. and maximum of Rs. 35.0 lakhs. Considering their credit profile of the borrowers, the risk of delinquencies/defaults are moderately elevated. These risks of delinquencies are partly mitigated, considering the efficacy of the originator's origination and monitoring procedures.

Concentration Risks

Since the pool comprises of unsecured business loans extended towards 271 borrowers, displaying moderate granularity, hence the risk is partially mitigated. 18.94% of these borrowers are concentrated in Tamil Nadu followed by 18.66% in Maharashtra and 10.71% in Karnataka. The top 10 borrowers of pool constitute 7.4% (i.e. Rs.2.67 Cr) of the pool principal outstanding.

Servicing Risks

There is limited track record of servicing PTCs, since this is the first PTC transactions for the originator.

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 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 underlying borrowers
- Decrease in cover available for PTC payouts from the credit enhancement

Even if the base case default is increased by 10%, the transaction's rating will not change.

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

- Strong • Adequate • Poor • Stretched

The liquidity position in the transaction is adequate. The cash collateral available in the

transaction amounts to 10.00% of the pool principal. The PTC payouts will also be supported by internal credit enhancement in the form of over collateralisation, excess interest spread and a subordinated equity tranche provided by GSFTPL.

Outlook - Not Applicable

Key Financials - Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	542.80	235.51
Total Income*	Rs. Cr.	30.94	1.51
PAT	Rs. Cr.	0.42	(8.01)
Net Worth	Rs. Cr.	485.23	234.61
Return on Average Assets (RoAA)	(%)	0.11	(6.80)
Return on Average Net Worth (RoNW)	(%)	0.12	(6.83)
Total Debt/Tangible Net Worth (Gearing)	Times	-	-
GNPA	(%)	-	-
NNPA	(%)	-	-

*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

- 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Apr 2022	Pass Through Certificates	Long Term	32.62	ACUITE Provisional AA(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	31-03-2022	9.00	17-09-2024	32.62	ACUITE AA SO Assigned Provisional To Final

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 mohit.jain@acuite.in Sumit Kumar Pramanik Senior Manager-Rating Operations Tel: 022-49294065 sumit.pramanik@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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