

Press Release

Moneyboxx Finance Limited - MFSL 2022 Stars

September 28, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	9.87	ACUITE BBB- SO Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	9.87	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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. 9.87 Cr issued by MFSL 2022 Stars 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. 11.61 Cr (including Rs. 1.16 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

- i. Over collateralisation of 10.00% of the pool principal;
- ii. Cash collateral of 5.00% of the pool principal;
- iii. Excess Interest Spread of 9.57% of the pool principal;
- iv. A subordinated equity tranche of 5.00% of the pool principal, in the form of investment from the originator

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 (MFL) is a BSE Listed NBFC providing small ticket loans to micro and small enterprises. It commenced its operations in February 2019 and is promoted by Mr Deepak Aggarwal and Mr Mayur Modi. As on August 31, 2022, it operates in 5 states, i.e., Rajasthan, Haryana, Madhya Pradesh, Punjab and Uttar Pradesh through its branch network of 39 branches. The company is registered with RBI as Non-systematically Important NBFC engaged in lending and allied activities. The entity focuses on small ticket unsecured business loans to individual borrowers and has also started extending secured business loans since Q1FY23. As on June 30, 2022, MFL has 393 employees and 12,975 active borrowers with cumulative disbursements of Rs. ~270 Cr. till August, 2022.

Assessment of the Pool

MFL has Asset Under Management of Rs. 120.99 Cr as on March 31, 2022 (provisional). The

current pool being securitised comprises 9.60% of the total AUM. The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of unsecured business loans extended towards 1,640 micro enterprise borrowers, with an average ticket size of Rs. 1.24 lakhs, minimum ticket size of Rs. 50,000 and maximum of Rs. 3.0 lakhs. The current average outstanding per borrower stands at Rs. 70,802. The weighted average original tenure for pool is 24.19 months (minimum 12 months & maximum 24 months). The pool has weighted average seasoning of 11.05 months (minimum 8 months seasoning and maximum of 28 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 April 30, 2022. 2 customers in the pool have gone into the non-current bucket since origination. Their maximum dpd was 21 dpd. All the rest of the customers have remained in the current bucket since origination. 28.35% of these borrowers are concentrated in Rajasthan followed by 26.21% in Haryana and 24.21% in Madhya Pradesh. The top 10 borrowers of pool constitute 1.95% of the pool principal o/s. The loans belong to the categories of livestock (72.55%), trading (21.28%), manufacturing (5.44%) and services (0.72%).

Credit Enhancements (CE)

The credit enhancement is available in the form of

- i. Over collateralisation of 10.00% of the pool principal;
- ii. Cash collateral of 5.00% of the pool principal;
- iii. Excess Interest Spread of 9.57% of the pool principal;
- iv. A subordinated equity tranche of 5.00% of the pool principal, in the form of investment from 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 1.4% – 2.5 % 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 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 pool has an average ticket size of Rs. 1.24 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 1,640 borrowers and an average loan size of Rs 1.24 lakhs. However, there is a moderate state-wise geographical concentration in the pool; 28.35% of these borrowers are concentrated in Rajasthan followed by 26.21% in Haryana and 24.21% in Madhya Pradesh, which is partially mitigated as the pool is spread across several branches.

Servicing Risks

There is limited track record of servicing PTCs, since this is the third 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 few years, and the pool has remained current since origination, except two loans which had gone into 0+dpd in the past. All the loans are current as of the pool cut-off date.

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: 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 (10.00% of pool principal), subordinated equity tranche (5.00% of pool principal), and excess interest spread (9.62% of pool principal).

Outlook

Not applicable.

Key Financials - Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	136.98	72.19
Total Income*	Rs. Cr.	12.43	7.36
PAT	Rs. Cr.	(3.72)	(2.97)
Net Worth	Rs. Cr.	34.51	24.15
Return on Average Assets (RoAA)	(%)	(3.56)	(5.07)
Return on Average Net Worth (RoNW)	(%)	(12.68)	(11.60)
Debt/Equity	Times	2.87	1.86
Gross NPA	(%)	0.62	0.22
Net NPA	(%)	0.31	0.11

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

None

Any other information

Not applicable

Applicable Criteria

- 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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jun 2022	Pass Through Certificates	Long Term	9.87	ACUITE Provisional BBB- (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	31-05-2022	14.25	17-09-2024	9.87	ACUITE BBB- SO Assigned Provisional To Final

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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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