

## Press Release

### Seeds Fincap Private Limited - Nimbus 2022 SBL Aquatic

November 03, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	4.03	Provisional   ACUITE BBB-   SO   Assigned	-
Total Outstanding Quantum (Rs. Cr)	4.03	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the rating of '**ACUITE PROVISIONAL BBB-(SO)**' (read as **ACUITE Provisional Triple B minus (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 4.03 Cr issued by NIMBUS 2022 SBL AQUATIC (Trust) under a securitisation transaction originated by Seeds Fincap Pvt Ltd (SFPL) (The Originator). The PTCs are backed by a pool of unsecured business loans with principal outstanding of Rs. 4.60 Cr (including 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

- (i) Over collateralisation of 12.50% of the pool principal;
- (ii) Cash collateral of 5.00% of the pool principal; and
- (iii) Excess Interest Spread of 11.87 % of the pool principal

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Legal Opinion
5. Final Term Sheet

## About the Originator

Incorporated in 2019, SEEDS FINCAP PVT LTD (SFPL) is a Delhi NCR based company registered as a non-deposit taking NBFC with RBI. The company has headquarters in Gurugram. SFPL is promoted by Mr Subhash Chandra Acharya as Managing Director & CEO and Mr Avishek Sarkar as a Whole-time director. SFPL is engaged in providing unsecured loans to people/enterprises living in Tier II, III & IV Cities. The company commenced its operations in February 2021. The company has presence in three states Haryana, Rajasthan, and Uttar Pradesh with branch network of 24 branches as on March 31, 2022.

## Assessment of the pool

SFPL has unsecured MSME Asset Under Management of Rs. 82.79 Cr as on September 30, 2022. The current pool being securitised comprises 5.6% of the unsecured MSME AUM. The underlying pool in the current Pass Through Certificate (PTC) transaction comprises of unsecured business loans extended towards 729 borrowers, with an average ticket size of Rs. 88,191, minimum ticket size of Rs. 50,000 and maximum of Rs. 2.0 lakhs, indicating significant granularity. The current average outstanding per borrower stands at Rs. 62,145. The weighted average original tenure for the pool is 24.0 months. The pool has weighted average seasoning of 7.01 months (minimum 4 months seasoning and maximum of 11 months seasoning). Hence, the pool is moderately seasoned. The pool under consideration was not under moratorium and all the loans are current as on pool cut-off date. Furthermore, all the loans have remained current since origination. The pool's geographical concentration is high. 47.88% of the borrowers are concentrated in Uttar Pradesh followed by 26.77% in Rajasthan. The top 10 borrowers of pool constitute 17.47% of the pool principal o/s.

## Credit Enhancements (CE)

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 12.50% of the pool principal;
- (ii) Cash collateral of 5.00% of the pool principal; and
- (iii) Excess Interest Spread of 11.87 % of the pool principal

## Transaction Structure

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.

## Assessment of Adequacy of Credit Enhancement

Acuité has arrived at a base case delinquency estimate of 1.0% – 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 overcollateralisation and excess interest spread.

## Legal Assessment

The provisional rating is based on a draft term sheet. The conversion of rating from provisional to final, shall include, besides other documents, the legal opinion to the satisfaction of Acuité. The legal opinion shall cover, adherence to RBI guidelines, true sale, constitution of the trust, bankruptcy remoteness and other related aspects.

## Key Risks

### Counterparty Risks

The pool has average ticket size of Rs. 88,191, minimum ticket size of Rs. 50,000 and maximum of Rs. 2 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

Since the pool is considerably granular, i.e. underlying assets in the pool are in nature of unsecured business loans to 729 borrowers, hence the risk is moderately mitigated. However, there is considerable geographical concentration in the pool, since 47.88% of the borrowers

are concentrated in Uttar Pradesh followed by 26.77% in Rajasthan, which is partially mitigated as the pool is spread across various branches.

### **Servicing Risk**

There is limited track record of servicing PTCs, since this one of the initial PTC transactions for the originator. Also, the vintage of the originator in this portfolio is low. Therefore, the servicing risk for the transaction remains high.

### **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.

### **Commingling Risk**

The transaction is subject to commingling risk since there is a time gap between last collection date and transfer to payout account.

### **Outlook - Not Applicable**

### **Key Rating sensitivity**

If the stress factor for the transaction is increased by 10%, the rating of the transaction would not get impacted.

### **Material Covenants**

The following covenant is included in the transaction structure: On each Payout Date the amounts present in the collection and payment account by way 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**

#### **Adequate**

The liquidity position in the transaction is adequate. The cash collateral available in the transaction amounts to 5.0% of the pool principal. The PTC payouts will also be supported by an internal credit enhancement in the form of over collateralisation (12.50% of pool principal) and excess interest spread (11.87% of pool principal).

### **Key Financials - Originator**

Particulars	Unit	FY22	FY21
		(Actual)	(Actual)
Total Assets	Rs Cr	78.84	2.27
Total Income	Rs Cr	3.76	0.14
PAT	Rs Cr	-6.64	-0.23
Net worth	Rs Cr	23.18	2.12
Return on Average Assets (ROAA)	%	-16.38	-10.63
Return on Average Net worth (RoNW)	%	-52.5	-11.12
Debt/Equity	Times	2.32	0.02
Gross NPA	%	0	0
Net NPA	%	0	0

Total income equals to Net Interest Income plus other income.

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

None

**Any other information:**

None

**Supplementary disclosures for Provisional Ratings**

**Risks associated with the provisional nature of the credit rating**

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently assign a fresh final rating in the same press release, basis the revised terms of the transaction.

**Rating that would have been assigned in absence of the pending steps/ documentation**

In the absence of the pending steps/ documents the PTC structure would have become null and void, and Acuite would not have assigned any rating.

**Timeline for conversion to Final Rating for a debt instrument proposed to be issued**

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

**Applicable Criteria**

Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Securitized transactions - <https://www.acuite.in/view-rating-criteria-48.htm>

Explicit Credit Enhancement - <https://www.acuite.in/view-rating-criteria-49.htm>

Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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](http://www.acuite.in).

**Rating History (Upto last three years)**

None

**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	Not Applicable	Not Applicable	Not Applicable	4.03	Provisional   ACUITE BBB-   SO   Assigned

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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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