



Press Release
Satin Finserv Limited - Nimbus 2023 SBL Wenger
June 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	4.01	ACUITE A- SO Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	4.01	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating '**ACUITE A-(SO)**' (read as **ACUITE A minus (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 4.01 Cr. issued by NIMBUS 2023 SBL WENGER (The Trust) under a securitisation transaction originated by SATIN FINSERV LIMITED (The Originator). The PTCs are backed by a pool of Secured MSME loans. The rating factors in the timely payment of interest on monthly payment dates and ultimate payment of principal 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

- i. Cash collateral of Rs 0.40 Cr.
- ii. Subordinated Equity Tranche of Rs. 1.00 Cr.
- iii. Excess Interest Spread (EIS) of Rs 1.81 Cr.

About the Originator

Incorporated in 2018, SFL is a 100 percent subsidiary of Satin Creditcare Network Limited (SCNL), the flagship company of Satin group. SFL obtained its license from RBI in 2019. SFL is engaged in the business of providing various financial services to entrepreneurs, MSMEs and individual businesses, as well as ending to other MFI companies through its 18 branches across 10 states with 7858 borrowers as on December 31, 2022. SFL offers products in the retail segment, with ticket size upto Rs. 3.5 Lakh and wholesale segment, with ticket size up to Rs. 5 Cr.. 67.13 % of SFL's portfolio consisted of retail products and the rest in wholesale segment, as on December 31, 2022. The company will be focusing on the retail segment for the near future. The present directors of the company are Mr. Bhuvnesh Khanna, Mr. Harvinder Pal Singh, Mr. Anil Kumar Kalra, Mr. Sundeep Kumar Mehta and, Ms. Jyoti Ahluwalia.

Assessment of the Pool

The underlying pool in the current Pass-Through Certificate (PTC) transaction comprises of secured MSME loans extended towards 539 individual borrowers. With an average ticket size of Rs. 1.85 lakhs, minimum ticket size of Rs. 31,300 and maximum of Rs. 5.2 lakhs. Current average outstanding per borrower stands at Rs. 1.49 lakhs. The weighted average original tenure for pool is of 43.65 months (minimum 36 months & maximum 60 months). The pool has weighted average seasoning of 11.63 months (minimum 7 months seasoning and maximum of 16 months seasoning). None of the loans in the pool had availed moratorium. All the customers in the selected pool are CURRENT as of the cut-off date. None of the customers in the pool have gone into the non-current bucket since origination.

Geographical constitution: 41.30% of these borrowers are concentrated in Haryana followed by 20.31% in Punjab and 16.44% in Gujarat. The top 10 borrowers of pool constitute 3.5% of the pool principal O/s.

Currently, there are 521 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, this transaction has witnessed Healthy CE built up of 7.83%. Also, the pool has amortised by 36.13%

Credit Enhancements (CE)

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

- i. Cash collateral of Rs 0.40 Cr.
- ii. Subordinated Equity tranche of Rs. 1.00 Cr.
- iii. Excess Interest Spread (EIS) of Rs. 1.81 Cr.

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.

Brief Methodology

Parameters considered are seasoning of the pool, pool vs portfolio, portfolio cuts, amortisation of the pool, internal cash flow modeling, pool characteristics, static pool, dynamic DPDs to assign provisional rating.

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. 1.85 lakhs, minimum ticket size of Rs. 31,300. and maximum of Rs. 5.2 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 521 borrowers, hence the risk is moderately mitigated. However, there is considerable geographical concentration in the pool, since 41.30% of these borrowers are concentrated in Haryana followed by 20.31% in Punjab and 16.44% in Gujarat, which is partially mitigated as the pool is spread across various branches. The top 10 borrowers of pool constitute 3.5% of the pool principal O/s

Servicing Risks

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 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

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

All Covenants (Applicable only for CE & SO Ratings)

Receivables comprising the Receivables shall be identified on the basis of criteria specified below:

- Minimum Holding Period (MHP) of the Receivables should meet the criteria set under the Securitization Guidelines;
- Loans are existing at the time of selection, and have not been terminated or prepaid;
- Compliance with "know your customer" norms specified by the RBI;
- Loans are not overdue;
- The Loans should not have been rescheduled or restructured by the Seller up to the Cut-off Date save and except for moratorium availed by certain Obligors from March 2020 to August 2020 pursuant to the RBI notification no. RBI/2019-20/244 dated May 23, 2020 read with RBI notification no. RBI/2019-20/186 dated March 27, 2020 and RBI Notification dated April 17, 2020 Compliance with "know your customer" norms specified by the RBI.

All Assumptions

Acuité has arrived at a base case delinquency estimate of 4.0% – 5.0% 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 liquidity in the transaction is adequate. The credit enhancement available in the form of

- Cash collateral of Rs 0.40 Cr.
- Subordinated Equity tranche of Rs. 1.00 Cr.
- Excess Interest Spread (EIS) of Rs. 1.81 Cr.

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	450.28	317.95
Total Income*	Rs. Cr.	91.93	87.96
PAT	Rs. Cr.	5.15	6.06
Net Worth	Rs. Cr.	182.79	137.68
Return on Average Assets (RoAA)	(%)	1.34	2.12
Return on Average Net Worth (RoNW)	(%)	3.21	4.50
Total Debt/Tangible Net worth (Gearing)	Times	1.40	1.23
Gross NPA	(%)	4.86	4.60
Net NPA	(%)	3.20	2.67

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, 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

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
16 Jun 2023	Pass Through Certificate	Long Term	7.03	ACUITE A- (SO) (Assigned)
28 Apr 2023	Pass Through Certificate	Long Term	7.03	ACUITE Provisional A- (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	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Highly Complex	4.01	ACUITE A- 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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