



Press Release

**PROTIUM FINANCE LIMITED - CONSILIENCE BL - 2203(ERSTWHILE GROWTH
FINANCIAL TECHNOLOGIES PRIVATE LIMITED - CONSILIENCE BL - 2203)
May 23, 2023**

Product	Rating Upgraded (Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	6.17	ACUITE AA+ SO Upgraded	-
Total Outstanding Quantum (Rs. Cr)	6.17	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE AA+(SO)**' (Read as **ACUITE double A plus (Structured Obligation)**) from '**ACUITE AA SO**' (Read as **ACUITE double A (Structured Obligation)**) to the **Pass Through Certificates (PTCs)** of Rs. 6.17 Cr issued by Consilience BL-2203 (Trust) under a securitisation transaction originated by Protium Finance Limited (PFL) (Erstwhile Growth Source Financial Technologies Private Limited).

The PTCs are backed by a pool of loans provided to borrowers of unsecured business loans. 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 and EIS totalling Rs 2.89 Cr;
- Cash collateral of Rs 3.62 Cr; (Post CC reset, the cash collateral available would be Rs 2.71 Cr) and
- A subordinated equity tranche of Rs 0.72 Cr., in the form of investment from PFL

Reasons for rating upgrade:

- Healthy credit enhancement built up of 37.03%
- Significantly amortised pool, with amortization of 73.00%
- No credit enhancement utilization till date
- No 180+ delinquency till date (90+ dpd: 0.85%)

CE/ CC Reset:

At the request of PFL for resetting the credit enhancement, Acuite has analysed PROTIUM FINANCE LIMITED - CONSILIENCE BL - 2203(ERSTWHILE GROWTH SOURCE FINANCIAL TECHNOLOGIES PRIVATE LIMITED - CONSILIENCE BL - 2203) transaction at a cash collateral (CC) of Rs 2.71 Cr (27.66% of the balance pool principal) against the currently available CC of Rs 3.62 Cr (36.98% of the balance pool principal) (after April 2023 payouts). Based on the pool's performance, the rating will get upgraded even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by Acuite.

About the Originator

Incorporated in 2019, Protium Finance Limited (PFL) erstwhile Growth Source Financial Technologies Private Limited (GFSTPL) is a Mumbai based NBFC engaged in lending secured and unsecured loans to MSME and Consumer finance segments. 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. PFL operates through a network of 85 branches spread across 69 districts/cities and having a presence in 17 states. PFL has a borrower base of around 2,99,148 borrowers as on March 31, 2023.

Assessment of the Pool

As per the initial rating, 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.

As per the payout report for April 2023, there are 156 live borrowers in the transaction, with average outstanding of Rs 6.28 lakhs per borrower. Hence, the pool granularity has become better than that initially. Since the initial rating, the transaction has highly amortised by 73.00%, without any CE utilisation, which prove that the pool experienced healthy collections. As a result, the CC has built up significantly to 37.03% of the pool principal outstanding (post CC reset, the CE built up will be 27.66% of the pool principal outstanding). Furthermore, the 90+dpd in the transaction stood at 0.85% of the original pool principal outstanding, which is well within the initial assumptions. None of the loans went into the 180+dpd bucket.

Credit Enhancements (CE)

The credit enhancement is available in the form of

- i. Over collateralisation and EIS totalling Rs 2.89 Cr;
- ii. Cash collateral of Rs 3.62 Cr; (Post CC reset, the cash collateral available would be Rs 2.71 Cr) and
- iii. A subordinated equity tranche of Rs 0.72 Cr., in the form of investment from PFL

CE/ CC Reset:

At the request of PFL for resetting the credit enhancement, Acuite has analysed PROTUM FINANCE LIMITED - CONSILIENCE BL - 2203(ERSTWHILE GROWTH SOURCE FINANCIAL TECHNOLOGIES PRIVATE LIMITED - CONSILIENCE BL - 2203) transaction at a cash collateral (CC) of Rs 2.71 Cr (27.66% of the balance pool principal) against the currently available CC of Rs 3.62 Cr (36.98% of the balance pool principal) (after April 2023 payouts). Based on the pool's performance, the rating will get upgraded even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by Acuite.

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. 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 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 Acuité Ratings & Research Limited www.acuite.in in the originator and certain pool parameters while arriving at the final loss estimate. 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 moderate track record of servicing 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 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

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 is Rs 3.62 Cr; (Post CC reset, the cash collateral available would be Rs 2.71 Cr). 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 PFL.

Outlook

Not Applicable

Key Financials - Originator

Particulars	Unit	FY23 (Provisional)	FY22 (INDAS) (Actual)	FY21 (IGAAP) (Actual)
Total Assets	Rs. Cr.	2971.38	1842.02	542.80
Total Income*	Rs. Cr.	360.49	152.08	30.94
PAT	Rs. Cr.	59.48	13.96	0.42
Net Worth	Rs. Cr.	1326.18	1255.57	485.23
Return on Average Assets (RoAA)	(%)	2.47	1.17	0.11
Return on Average Net Worth (RoNW)	(%)	4.61	1.61	0.12
Total Debt/Tangible Net worth (Geraing)	Times	0.89	0.30	0.00
Gross NPA	(%)	0.65	0.16	0.02
Net NPA	(%)	0.34	0.04	0.01

Status of Non Cooperation with the previous CRA

None

Any Other Information

None

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>

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jun 2022	Pass Through Certificates	Long Term	32.62	ACUITE AA(SO) (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	31 Mar 2022	9.00	17 Sep 2024	Highly Complex	6.17	ACUITE AA+ SO Upgraded

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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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