

Press Release
UP MONEY LIMITED - VEGA 02 2024
March 07, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Sh
Pass Through Certificates (PTCs)	9.47	Provisional ACUITE A- SO Assigned	-
Pass Through Certificates (PTCs)	1.58	Provisional ACUITE BBB+ SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	11.05	-	-

Rating Rationale

Acuite has assigned long term rating of 'ACUITE Provisional A-(SO)' (read as ACUITE Provisional A minus (Structured Obligation)) to the Rs. 9.47 Cr. Series A1 (a) Pass Through Certificates (PTCs). Acuite has also assigned long term rating of 'ACUITE Provisional BBB+(SO)' (read as ACUITE Provisional triple B plus (Structured Obligation)) to the Rs. 1.58 Cr. Series A1 (b) PTCs issued by Vega 02 2024 (The Trust) under a securitisation transaction originated by UP MONEY LTD (The Originator).

The PTCs are backed by a pool of loans provided to individuals as Unsecured Business Loans with principal outstanding of Rs. 12.63 Cr. (including Rs. 1.58 Cr. of over collateralisation).

The provisional rating for Series A1 (a) 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 principal portion of Series A1 (b) PTCs is subordinated to Series A1 (a) PTCs. The transaction is structured at par.

The provisional rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement is available to the Series A1 (a) PTCs in the form of:

- i. Cash collateral of 5.00% of the pool principal; and
- ii. Over collateralisation of 12.50% of the pool principal
- iii. Excess Interest Spread of 26.37% of the pool principal
- iv. Subordinated Series A1 (b) PTC tranche of 12.50% of the pool principal

The credit enhancement is available to the Series A1 (b) PTCs in the form of:

- i. Cash collateral of 5.00% of the pool principal; and
- ii. Over collateralisation of 12.50% of the pool principal
- iii. Excess Interest Spread of 26.37% 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

UP Money Ltd. (UPL) started operations in November 2014 following the acquisition of Sukhjit Finance Ltd, a company incorporated on February 6, 1995 under the Companies Act, 1956. The company's name was changed to UP Money Ltd w.e.f. March 2, 2015. The company is

promoted by Mr. Ajit Singh Chawla and Mr. Sumel Singh Chawla. UPL offers affordable financing for two-wheeler loans and micro, small & medium enterprises (MSMEs), mainly for rural livelihood advancement, with the aim to provide finance for income generating activities, socio-economic development and financial inclusion.

Assessment of the pool

UpMoney has Asset Under Management of Rs. 605.34 Cr as on Dec 31, 2023. The underlying pool of Rs. 12.63 Cr in current Pass Through Certificate (PTC) transaction comprises of Unsecured Business loans has been extended towards 3,052 borrowers, displaying significant granularity, with an average ticket size of Rs. 53,365, minimum ticket size of Rs. 30,000 and maximum of Rs. 70,000. The current average outstanding per borrower stands at Rs. 41,373. The pool has a healthy weighted average seasoning of 6.70 months (minimum 4 months seasoning and maximum of 12 months seasoning). Furthermore, none of the loans in the pool had gone into the Non-CURRENT bucket since origination, which are healthy signs. 92.15% of the borrowers are concentrated in Punjab followed by 4.96% in Haryana and 2.89 in Rajasthan displaying high geographical concentration. The top 10 borrowers of pool constitute 0.49% (i.e. Rs.6.18 lakhs) 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 to the Series A1 (a) PTCs in the form of:

- i. Cash collateral of 5.00% of the pool principal; and
- ii. Over collateralisation of 12.50% of the pool principal
- iii. Excess Interest Spread of 26.37% of the pool principal
- iv. Subordinated Series A1 (b) PTC tranche of 12.50% of the pool principal

The credit enhancement is available to the Series A1 (b) PTCs in the form of:

- i. Cash collateral of 5.00% of the pool principal; and
- ii. Over collateralisation of 12.50% of the pool principal
- iii. Excess Interest Spread of 26.37% of the pool principal

Transaction Structure

The provisional rating for Series A1 (a) 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 principal portion of Series A1 (b) PTCs is subordinated to Series A1 (a) PTCs. The transaction is structured at par

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

Counterparty Risks

The pool has average ticket size of Rs. 53,365, minimum ticket size of Rs. 30,000 and maximum of Rs. 70,000. 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 significantly granular, i.e. underlying assets in the pool are in nature of Unsecured business loans to 3,052 individual borrowers, hence the risk is significantly mitigated. The top 10 borrowers of pool constitute 0.49% (i.e. Rs. 6.18 lakhs) of the pool principal O/s.

Servicing Risk

There is limited track record of servicing PTCs, since this is one of the first few PTC transactions for the originator rated by Acuite.

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.

Key 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

All Covenants (Applicable only for CE & SO Ratings)

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 the sum of the Series A1 (a) Issue Price and Series A1 (b) Issue Price
- In case of happening of any of the following events during the tenure of the PTCs:
 1. The Collection Efficiency in respect of the Pool is less than 95% for any 2 consecutive payouts and/or;
 2. The PAR>90 of the Pool is more than 5.00% of the Initial Principal Outstanding.

Then, 100% EIS shall be utilized to make principal payments to the Series A1 investors as long as the Series A1 PTCs are live.

All Assumptions

Acuité has arrived at a base case delinquency estimate basis its analysis of the company's historical static pool and further applied appropriate stress factors to the base loss figures to arrive at the final loss estimates. The loss estimate also consider the risk profile of the particular asset class, the borrower strata, economic risks, collection efficiency over the past several months as well as the credit quality of the originator. Acuité also has simulated the potential losses to an extent by applying sensitivity analysis.

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 Series A1 (a) PTC payouts will also be supported by subordinated Series A1 (b) PTC tranche of 12.50% of the pool principal, over collateralisation of 12.50% of the pool principal and excess interest spread (26.37% of pool principal). The Series A1 (b) PTC payouts will be supported by overcollateralisation of 12.50% of the pool principal and excess interest spread (26.37% of pool principal).

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	490.67	353.35
Total Income*	Rs.		

	Cr.	63.81	50.35
PAT	Rs. Cr.	10.94	7.79
Net Worth	Rs. Cr.	95.24	84.30
Return on Average Assets (RoAA)	(%)	2.59	2.54
Return on Average Net Worth (RoNW)	(%)	12.18	9.69
Total Debt/Tangible Net worth (Gearing)	Times	4.07	2.85
Gross NPA	(%)	1.37	1.38
Net NPA	(%)	1.19	1.19

*Total income equals to Total Income net off interest expense

Any other information

None

Status of disclosure of all relevant information about the Obligation being Rated
Non-Public

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) Acuité 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 Acuité 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.

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

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>

Rating History- Not Applicable

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	9.47	Provisional ACUITE A- SO Assigned
Not Applicable	Not avl. / Not appl.	Pass Through Certificate	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Highly Complex	1.58	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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