



Press Release
UP MONEY LIMITED - GRIPX SAGE 06 2024
July 02, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	14.43	Provisional ACUITE A- SO Assigned	-
Total Outstanding Quantum (Rs. Cr)	14.43	-	-

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE Provisional A-(SO)**' (read as **ACUITE Provisional A minus (Structured Obligation)**) to the Rs. 12.55 Cr. Series A1 Pass Through Certificates (PTCs). issued by GRIPX SAGE 06 2024 (The Trust) under a securitisation transaction originated by UP MONEY LIMITED (The Originator).

The PTCs are backed by a pool of loans provided to individuals as MSME Business loans (Unsecured) comprises of 86.79% and MSME LAP loans (Secured) comprises of 13.21% with principal outstanding of Rs. 14.43 Cr. (including Rs. 1.88 Cr. of over collateralisation).

The provisional rating for Series A1 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 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 PTCs in the form of:

- i. Cash collateral of 6.00% of the pool principal; and
- ii. Over collateralisation of 13.04% of the pool principal
- iii. Excess Interest Spread of 26.82% 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

Ludhiana based UP Money Limited (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 micro, small & medium enterprises (MSMEs) loans and two-wheeler loans, 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. 601.89 Cr as on Mar 31, 2024. The underlying pool of Rs. 14.43 Cr in current Pass Through Certificate (PTC) transaction comprises of MSME Business loans (Unsecured) in tune to 86.79% and MSME LAP Loans (Secured) in tune to 13.21% has been extended towards 3,194 borrowers, displaying significant granularity, with an

average ticket size of Rs. 59,988, minimum ticket size of Rs. 30,000 and maximum of Rs. 5,00,000. The current average outstanding per borrower stands at Rs. 45,187. The pool has a healthy weighted average seasoning of 7.93 months (minimum 5 months seasoning and maximum of 35 months seasoning). Furthermore, none of the loans in the pool had gone into the Non-CURRENT bucket since origination, which are healthy signs. 85.37% of the borrowers are concentrated in Punjab followed by 9.02% in Haryana and 5.61% in rest four states displaying high geographical concentration. The top 10 borrowers of pool constitute 1.56% (i.e. Rs.22.47 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 PTCs in the form of:

- i. Cash collateral of 6.00% of the pool principal; and
- ii. Over collateralisation of 13.04% of the pool principal; and
- iii. Excess Interest Spread of 26.82% of the pool principal

Transaction Structure

The Provisional rating of Series A1 PTCs addresses the timely payment of the interest on each payout dates and ultimate payment of principal on final maturity date to the series A1 pass-through certificates (PTCs) investors, in accordance with the transaction documentation.

Brief Methodology

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

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. 59,988, minimum ticket size of Rs. 30,000 and maximum of Rs. 5,00,000. 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

The top two states contributes 94.39% to the total pool. Furthermore, 86.79% of the underlying loans are MSME Business Loans which are unsecured in nature. The asset quality in this segment is more vulnerable to economic downturns.

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 Acuité.

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)

A. Pool Criteria/ Eligibility Criteria

Receivables comprising the Pool shall be identified based on the criteria specified below (as on the Pool Cut-off Date, and at the time of assignment):

RBI Linked / Regulatory Criteria

1. Minimum Holding Period (MHP) of the Facilities comprising the Total Pool should meet the criteria set under the RBI Securitization Directions. It is clarified that MHP shall be calculated from the date of first repayment of the loan;
2. The minimum retention requirement in respect of the underlying loans comprising the Pool should comply with the requirements prescribed under the RBI Securitisation Directions;
3. No Facility is classified as a non-performing asset for the purposes of the directions and guidelines of the RBI;
4. Each underlying loan should have minimum residual tenor of 12 months/ 365 days as on the Pool Cut-off Date;
5. Compliance with know your customer (KYC) norms specified by the RBI;
6. No loan should have been "restructured" or "rescheduled" in the books of the Seller (determined in accordance with the criteria prescribed by the RBI);
7. The Facilities should be existing at the time of selection, and must not have been terminated or prepaid;
8. The Seller has not initiated any legal or repossession action against any of the Obligor or in respect of any of the Facilities;

Other Criteria

9. All Pool contracts have Zero DPDs
10. Each underlying loan comprising the Pool must have a scheduled repayment date/maturity date of no later than 1 (one) month prior to the Series A1 Legal Final Maturity Date;
11. No MAC/ cross-default events should have occurred under the underlying loan agreements
12. No force majeure clauses should exist under the underlying loan agreements;
13. All Pool contracts should have been fully disbursed by the Originator;
14. Each underlying loan comprising the Pool is free from any Encumbrance and the Seller is the sole legal and beneficial owner of such Facility;
15. None of the borrowers are mentioned in or appear in the RBI's list of defaulters, the ECGC's list of defaulters and/or the RBI willful defaulters list;
16. No instance of fraud or misrepresentation has occurred in respect of any of the loan comprising the Pool;
17. No underlying loans comprising the Pool has been previously assigned to any other bank or financial institution by the Seller;
18. No loan should be included in the pool from the district having PAR>90 (90+ DPDs) >= 3% of respective POS in overall portfolio and product level portfolio as of Mar'24
19. Maximum Residual Tenor:
 - a. Each underlying MSME Business loan should have a maximum residual tenor of not

- more than 19 months as on the Pool Cut-off Date
- b. Each underlying MSME LAP loan should have a maximum residual tenor of not more than 27 months as on the Pool Cut-off Date
20. Fixed Obligations to Income Ratio (FOIR):
- a. FOIR for each underlying MSME Business loan should be less than or equal to 55%
 - b. FOIR for each underlying MSME LAP loan should be less than or equal to 60% only
21. Maximum principal outstanding (POS):
- a. Each of the underlying MSME Business loans should have a maximum POS of not more than INR 60,000
 - b. Each of the underlying MSME LAP loans should have a maximum POS of not more than INR 3,02,000.

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 6.00% of the pool principal. The Series A1 PTC payouts over collateralisation of 13.04% of the pool principal and excess interest spread (26.82% of pool principal).

Outlook: Not Applicable

Key Financials - Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets**	Rs. Cr.	547.16	490.67
Total Income*	Rs. Cr.	69.62	63.81
PAT	Rs. Cr.	11.84	10.94
Net Worth	Rs. Cr.	107.07	95.24
Return on Average Assets (RoAA)	(%)	2.28	2.59
Return on Average Net Worth (RoNW)	(%)	11.70	12.18
Total Debt/Tangible Net worth (Gearing)	Times	3.99	4.07
Gross NPA	(%)	1.42	1.37
Net NPA	(%)	1.15	1.19

*Total income equals to Total Income net off interest expense

**Total assets adjusted to Deferred Tax liability

Any other information

None

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

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Absence of any Entity to take appropriate measures to protect the interest of the debenture holders in case of any breach of the trust deed or law.
2. Absence of support from the group entity in case of an exigency.
3. Absence of any structured payment mechanism.
4. 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.

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

Acuite would not have been able to assign any rating in absence of the pending steps/documentation, as the transaction structure as articulated does not exist.

C. 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, 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

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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.	12.50	17 Aug 2026	Highly Complex	14.43	Provisional ACUITE A- SO Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Tejas Chaugule Associate Analyst-Rating Operations Tel: 022-49294065 tejas.chaugule@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.