

**Creciente**  
**Originator: Pahal Financial Services Private Limited**

March 02, 2022

**Ratings**

Instrument	Amount (Rs. Crore) @	Balance Tenure*	Credit Enhancement (Rs. Crore)		Rating	Rating Action
			Cash Collateral	Over Collateral		
Series A PTC	3.04 (Rs. Three crore four lakh only)	11	1.3	3.25	CARE A+ (SO) [Single A Plus (Structured Obligation)]	Revised from CARE A- (SO) [Single A Minus (Structured Obligation)]

@ After January 2022 Payout

\* Tenure / Door to Door maturity may change due to prepayments or changes in interest rates, if any.

**Detailed Rationale and Key Rating Drivers**

CARE Ratings Ltd has revised the rating of Series A PTC issued by Creciente backed by microfinance loans receivables originated by Pahal Financial Services Private Limited (PFSPL) to 'CARE A+ (SO)' [pronounced as Single A Plus (Structured Obligation)].

The rating revision is primarily based on the performance of the underlying loans over the past 10 months post securitisation, significant built up in cash collateral and over collateral as a percentage of balance Outstanding PTC Amount, subordination of excess interest spread (EIS), well defined payment mechanism, servicing capability & overall performance of PFSPL and sound legal structure of the transaction.

**Rating Sensitivities**

Positive Factors - Factors that could lead to positive rating action/upgrade:

1. Build-up of cash collateral (as a % of total PTC POS) and higher OC levels
2. Lower than expected delinquencies

Negative Factors - Factors that could lead to negative rating action/downgrade:

3. Non- adherence to the transaction structure
4. Significant deterioration in the collection efficiency of the pool
5. Sharp deterioration in the credit rating of the originator

The pool has amortised by 76% in 10 months post securitisation, with nil utilisation of cash collateral. The pool has exhibited high delinquencies. As of Jan 2022, OD (as a % of initial POS) is 1.4%. The Credit enhancement available is sufficient to sustain the rating for the balance tenor.

<b>Pool Summary (as of Jan-22 Payout )</b>	
Months Post Securitisation	10
Pool Amortisation	75.83%
30+ Delinquency (% of Initial Pool POS)	8.37%
90+ Delinquency (% of Initial Pool POS)	5.07%
Overdue Amt (% of Initial Pool POS)	1.38%
CCE	94.96%
CC as % of Balance Pool POS	20.68%
Cumulative Prepayments	8.79%

**Key Rating Strengths:**

1. Cash Collateral (CC) as % of PTC POS is 43% which remains unutilised and over collateral which is 107% of PTC POS.
2. The pool has performed on expected lines for 10 months (post securitisation) and has amortised 76%
3. Well defined payment mechanism and adherence to transaction structure.

**Key Rating Weaknesses:**

1. High delinquency (90+ DPD of 5.1% of Initial Pool POS).

### Liquidity Position – Adequate

The inherent liquidity in the structure is adequate. The interest payouts for Series A PTCs are promised on monthly basis while the principal of Series A PTC is promised to be paid by Final Legal Maturity. The investors in Series A PTC may expect principal repayment on a monthly basis as per agreed waterfall mechanism. In case of any delinquency, the payouts are expected to be supported by cash collateral (in the form of Fixed Deposit), over collateral and excess interest spread.

### Analytical Approach and Applicable Criteria

[Policy on default recognition](#)

[CARE Rating's methodology for Asset/Mortgage Backed Securitisation](#)

### Key Rating Assumptions

CARE Ratings Ltd has analysed the transaction to assess whether the Credit Enhancement is sufficient to cover shortfalls. Since the transaction is sensitive to credit quality of the underlying pool, CARE has analysed the performance of pool, overall portfolio performance of the Originator. Considering the borrower profile and nature of loan, pool characteristics and portfolio performance, CARE has taken the average peak shortfall from 13% to 15% of principal outstanding. The base case shortfalls were stressed along with other key factors such as the timing of shortfalls, the recovery assumptions and the time to recovery. CARE has found that the Credit enhancement provided is sufficient to cover shortfalls in stress scenario commensurate with the assigned rating.

### About the Company:

Pahal Financial Services Private Limited (Pahal) is a non-deposit taking Non-Banking Finance Company (NBFC) registered with the Reserve Bank of India in 2011 and registered as a NBFC-MFI w. e. f. January 29, 2014.

Pahal commenced operations with acquisition of a portfolio of Rs.2.60 crore created under the Joint-liability group (JLG) model from Ahmedabad based Lok Vikas Nidhi (a division of Vikas Centre of Development) which had a track record of over 25 years. Thereafter, Pahal has expanded operations to several districts in Gujarat and nearby states. At present, Pahal offers microfinance loans to women through its network of 143 branches in 76 districts of Gujarat, Madhya Pradesh, Rajasthan, Maharashtra, Bihar, Chhatisgarh and Uttar Pradesh with and AUM of Rs.736.44 crore as on March 31, 2020. Currently Rated – 'BBB- Stable' (August 07, 2020)

### Key Financial Indicators

Brief Financials (Rs. crore) (As per IND AS)	FY20 (A)	FY21 (A)	H1FY22 (P)
Total Income (Rs. Cr)	143.88	159.76	NA
PAT (Rs. Cr)	15.9	4.29	NA
Interest Coverage (times)	1.21	1.05	NA
Total Assets	684	794	NA
NNPA (%)	0.23	2.17	NA
ROTA (%)	2.7	0.58	NA

**Status of non-cooperation with previous CRA:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Any Other Information:** Nil

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Series A Pass-Through Certificates	Mar-21	11.75%	Dec-2022	3.04	CARE A+ (SO)

**Annexure-2:** Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Series A Pass-Through Certificates	LT	3.04	CARE A+ (SO)	1)CARE A- (SO) (30-Aug-21)	1)Provisional CARE A- (SO) (30-Mar-21)	-	-

**Annexure-3:** Detailed explanation of covenants of the rated instrument /facilities: Not Applicable

**Annexure-4:** Complexity level of various instruments rated for this company

Sr. No	Name of Instrument	Complexity Level
1	Pass through Certificates	Highly Complex

**Annexure-5: Bank Lender Details for this Company:**

Not applicable

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**