

Midcap Elite 08 2022

Originator: Midland Microfin Limited

December 02, 2022

Rating

Instrument [#]	Amount (₹ crore)	Rating ¹	Rating Action
Series A1 PTCs	20.00 (₹ Twenty crore only)	CARE A (SO) [Single A (Structured Obligation)]	Final Rating Assigned

[#]The pass-through certificates (PTCs) are rated based on the timely payment of interest and payment of principal on or before the last scheduled payout date.

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had assigned the rating of 'Provisional CARE A (SO)' [pronounced as 'Single A (Structured Obligation)'] to the Series A1 PTCs issued by Midcap Elite 08 2022, backed by a pool of microfinance loan receivables originated by Midland Microfin Limited (MML).

The rating is now confirmed and 'CARE A (SO)' [pronounced as 'Single A (Structured Obligation)'] has been assigned to Series A1 PTCs.

Furthermore, the above rating was final based on the below-mentioned documents submitted to the satisfaction of CARE Ratings:

- a) Account agreement
- b) Assignment agreement
- c) Servicing agreement
- d) Trust deed
- e) Power of attorney
- f) Information memorandum
- g) Legal opinion from an independent legal counsel
- h) KYC audit report.

Rating sensitivities

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

- Lower-than-expected delinquencies.
- Build-up of cash collateral (CC; as a percentage of the balance principal outstanding (POS)).

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

- Higher-than-expected delinquencies.
- Sharp deterioration in the credit profile of the originator.
- Non-adherence to key transaction terms envisaged at the time of the rating.

Detailed description of the key rating drivers

The rating assigned is finalised based on the structure provided to CARE Ratings by MML, the originator. The rating has been confirmed after copies of the legal documents executed in accordance with the structure, a due-diligence audit report by an external auditor, and an independent legal opinion was furnished by the originator (MML), to the satisfaction of CARE Ratings.

Key rating strengths:

- The robustness of transaction structure and well-defined payment mechanism;
- Credit enhancement comprising CC, subordinated equity tranche and excess interest spread (EIS);
- No overdue contracts as on the pool cut-off date;
- Underwriting policies and collection capabilities of MML;
- High-weighted average seasoning of around 7.18 months with amortisation of around 35.84%.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating weakness:

- Moderately concentrated with the top three states accounting for 66.74% of the pool.

Liquidity: Strong

The inherent liquidity in the structure is adequate. The interest payouts for Series A1 PTCs are promised on a monthly basis, while the principal of Series A1 PTCs is promised to be paid by final legal maturity. In case of any delinquency, the payouts are expected to be supported by credit enhancement consisting of CC, principal subordination in the form of over collateral (OC) and EIS (in case of trigger event).

Applicable criteria

[Policy on Default Recognition](#)

[CARE Ratings' methodology for asset/mortgage-backed securitisation](#)

Analytical approach

[CARE Ratings' methodology for asset/mortgage-backed securitisation](#)

Key rating assumptions

Not applicable

About the company

Midland Microfin Ltd (MML) was originally incorporated as 'Sajan Hire Purchase Pvt. Ltd. (SHPPL)' on May 28, 1988, and the company was classified as non-banking financial company-microfinance institute (NBFC-MFI) in January 2015. MML is currently rated 'CARE BBB; Stable' for its long-term obligations.

The promoters of MML belong to the Midland group of Punjab engaged into asset finance and banking business. The management of MML is headed by Amardeep Samra, Managing Director, who has an experience of over 19 years in the field of finance. Vijay Kumar Bhandari is the Chairman (Non- Executive). He is a banker by profession and former General Manager of Central Bank of India.

Key financial indicators

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23(P)
Total income	192.21	219.78	NA
PAT	14.63	22.28	NA
Interest coverage (times)	NA	NA	NA
Total assets (adjusted for intangible assets)	1,099.81	1,569.34	NA
Gross NPA (%)	1.69%	3.07%	NA
ROTA (%) (PAT/Average adjusted assets)	1.42%	1.67%	NA

A: Audited; P: Provisional.

Status of non-cooperation with the previous CRA: Not applicable

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

Any other information: Nil

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Pass-through certificates	-	07-09-2022	10.15%	20-11-2023	20.00	CARE A (SO)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Pass-through certificates	LT	20.00	CARE A (SO)	1)Provisional CARE A (SO) (06-Sep-22)	-	-	-

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the 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 the complexity levels of the rated instruments: CARE Ratings 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 us:

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Disclaimer:

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