

NIMBUS 2022 MFI Woody Originator: Pahal Financial Services Private Limited

April 04, 2022

Ratings

Instrument#	Amount (Rs. Crore)	Structure	Tenure* (months)	Rating ¹	Credit Enhancement [§] (Rs. Crore)	
					Over Collateral	Cash Collateral
Series A1 PTCs	14.13 (Rs. Fourteen core and thirteen lakhs only)	Par (TI-UP)	20	Provisional CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]	2.02	0.81

Details of instruments/facilities in Annexure-1.

The PTCs are rated based on timely payment of interest and payment of principal on or before the last scheduled payout date.

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

§ EIS shall flow back to the originator on a monthly basis at every payouts after making expected and scheduled payouts to the investors.

Rating in the absence of the pending steps/ documents	No rating can be assigned
---	---------------------------

Detailed Rationale and Key Rating Drivers

CARE Ratings Ltd (CARE Ratings) has assigned a rating of 'Provisional CARE BBB+ (SO)' [pronounced as 'Triple B Plus (Structured Obligation)'] to the Series A1 PTCs proposed to be issued by NIMBUS 2022 MFI Woody backed by microfinance loans receivables originated by Pahal Financial Services Private Limited ("the Originator" or "PFSPL").

The rating assigned is provisional based on the structure provided to CARE Ratings Ltd by the originator. The rating will be 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 is furnished by the originator, to the satisfaction of CARE Ratings Ltd. Consequently, CARE Ratings Ltd will issue a final rating letter.

The final rating will be assigned after copies of the following documents, duly executed in accordance with the structure and to the satisfaction of CARE Ratings Ltd., are furnished by the Originator:

- a. Assignment Agreement
- b. Trust Deed
- c. Power of Attorney
- d. Information Memorandum
- e. Legal Opinion from independent legal counsel
- f. Due Diligence Audit Report
- g. Any other documents executed for the transaction.

Rating Sensitivities

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

1. Lower than expected delinquencies
2. Build-up of cash collateral (as % of Balance POS)

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

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

Detailed description of the key rating drivers

The transaction is structured at par. The transaction promises Series A1 PTCs interest payouts on a monthly basis while principal of Series A1 PTCs is promised by legal final maturity.

The credit enhancement for both the PTCs includes cash collateral of 5.00%, principal subordination (over collateral) of 12.50% and excess interest spread (EIS) of 9.41% of pool POS in the structure. The cash collateral will be in the form of fixed deposit with a lien marked in favour of the trust as per CARE Ratings Ltd's criteria. The support of the over collateral and EIS are subject to realisation. EIS is also subject to the compression on account of prepayments in the Pool.

The assigned Pool consists of 4,692 contracts, aggregating to a principal outstanding of Rs.16.15 crore given as microfinance loans, as on cut-off date March 02, 2022. The top three states account for 96.06%, and top five districts account for 13.09%. All the contracts are current on payment. The Pool has weighted an average seasoning of 5.69 months.

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

Key Rating Strengths:

- The robustness of transaction structure and well-defined payment mechanism;
- Credit enhancement comprising cash collateral, subordinated over collateral and EIS;
- No overdue contracts as on the pool cut-off date; all contracts are ever current as on the pool cut-off date;
- Underwriting policies and collection capabilities of PFSP;L;
- Well seasoned pool with weighted average seasoning of 5.69 months and amortisation of around 22.47%.

Key Rating Weaknesses:

- Borrowers belong to economically weaker section of society and are vulnerable to any economic or geopolitical disruptions

Liquidity Position – Adequate:

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 cash collateral, principal subordination in the form of over collateral and EIS.

Analytical approach

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

Applicable Criteria

[Assignment of Provisional Rating](#)

[Policy on default recognition](#)

Validity of the Provisional Rating:

The provisional rating will be converted into a final rating after receipt of the above-mentioned transaction documents duly executed/completion of the above-mentioned steps, within 90 days from the date of issuance of the instrument. An extension of 90 days may be granted on a case-to-case basis in line with CARE Ratings' Policy on Assignment of Provisional Ratings.

Risks associated with provisional nature of credit rating:

When a rating is assigned pending due to execution of certain critical documents or steps to be taken, the rating is a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On execution of the critical documents to the satisfaction of CARE Ratings Ltd, the final rating is assigned by CARE Ratings Ltd. In absence of receipt of documents or in case such documents deviate significantly from transaction structure considered by CARE Ratings Limited, the provisional rating will be reviewed / withdrawn in line with the Policy on Assignment of Provisional Ratings and it is possible that no rating may be assigned.

Key Rating Assumptions

CARE Ratings 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 Ratings has analysed the performance of static pools provided by the Originator and overall portfolio performance of the Originator. Considering the borrower profile and nature of loan, Pool characteristics and portfolio performance, CARE Ratings has taken the average shortfall at 8.00% - 10.00% of the 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.

About the Company

Pahal Financial Services Private Limited (PFSP;L; rated 'CARE BBB-; Stable') 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.

PFSP;L 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, PFSP;L has expanded operations to several districts in Gujarat and nearby states. At present, PFSP;L 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.

Key Financial Indicators – PFSP;L

Brief Financials (Rs. crore) (As per IND AS)	FY20 (A)	FY21 (A)	9MFY22 (P)
Total income	144	160	126
PAT	15.9	4	2
Debt / Equity Ratio	4.99	5.07	6.65
AUM	736	773	843
Gross NPA (%)	0.23	2.30	8.13
ROTA (%) (PAT/Average Adjusted Assets)	2.7	0.58	0.22

A-Audited; P: Provisional;

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 A1 Pass Through Certificates	-	-	-	14.13	Provisional CARE BBB+ (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 A1 Pass Through Certificates	LT	14.13	Provisional CARE BBB+ (SO)	-	-	-	-

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 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.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no. - +91-22-6754 3596
Email ID – mradul.mishra@careedge.in

Analyst Contact

Mr. Sriram Rajagopalan
Contact no.- +91-22-6754 3652
Group Head Email ID - sriram.rajagopalan@careedge.in

Business Development Contact

Name - Ms. Swati Agrawal
Contact no.- +91-11-4533 3200 / +91-98117 45677
Group Head Email ID - swati.agrawal@careedge.in

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.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**