

NFL Emerald 2022

Originator: Namra Finance Limited

February 06, 2023

Instrument [#]	Amount (₹ crore)	Rating ¹	Rating Action
Series A1 PTCs	44.43	CARE A (SO)	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.

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 NFL Emerald 2022, backed by a pool of microfinance loan receivables originated by Namra Finance Limited (NFL).

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) Deed of assignment agreement
- b) Collateral agreement
- c) Trust deed
- d) Power of attorney
- e) Information memorandum
- f) Legal opinion from an independent legal counsel
- g) KYC audit report.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- 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.

Analytical approach

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

Detailed description of the key rating drivers

The ratings assigned are finalised based on the structure provided to CARE Ratings by NFL, the originator. The ratings have 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 (NFL), to the satisfaction of CARE Ratings.

Key rating strengths:

- Credit enhancement (CE) comprising CC, over collateral (OC), Equity tranche and EIS.
- The robustness of transaction structure and well-defined payment mechanism.
- No overdue contracts as on the pool cut-off date.
- Underwriting policies and collection capabilities of NFL.
- Moderate weighted average seasoning of around 4.24 months with amortisation of around 13%.

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

Key rating weakness:

- Moderate concentration with the top three states accounting for 74.65% of the pool.

Liquidity: 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 CC, principal subordination in the form of OC, Equity Tranche and EIS.

Applicable criteria

[Policy on Default Recognition](#)

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

Key rating assumptions

Not applicable

About the company

NFL is a wholly-owned subsidiary of AFSL, which is a non-deposit-taking non-banking finance company (NBFC-ND) registered with the Reserve Bank of India (RBI), promoted by Jayendra Patel. Prior to May 2013, AFSL was engaged in the business of two-wheeler financing and microfinance lending business through the joint liability group model. However, NFL got an NBFC-Micro Finance Institution license from the RBI on February 14, 2013, and since May 2013, the entire new microfinance lending is being carried out by NFL. In March 2017, AFSL also commenced its MSME lending business. AFSL, on a consolidated basis, operates across seven states – Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand, Rajasthan, and Haryana, covering around 94 districts through a network of 262 branches, as on December 31, 2021. Microfinance lending is presently the largest business segment of the group, which contributed 82% of its total assets under management (AUM) of ₹1,044 crore as on December 31, 2021, while the balance was from MSME loans (13%) and two-wheeler loans (5%).

Key financial indicators

Brief financials	FY21 (A)	FY22 (A)	H1FY23 (A)
Total income (₹ crore)	135.75	173.04	129
PAT (₹ crore)	4.91	18.45	22
Interest coverage (times)	1.08	NA	1.55
Total assets (₹ crore)	707.10	995.26	1426
Net NPA (%)	0.6	0.59	0.06
ROTA (%)	0.70	2.17	3.63

A: Audited; NA: Not available.

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

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments: Annexure-4

Lender details: Annexure-5

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	10.50%	16-08-2022	44.43	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	44.43	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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Disclaimer:

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