Nimbus 2022 SBL Epiphany (Revised)
Originator: Ashv Finance Limited
December 09, 2022

Ratings

Instrument[#]	Amount (₹ crore)	Structure	Tenure* (months)	Rating	Credit Enhancement[$] (₹ crore)	
					Subordination	Cash Collateral
Series A1 PTCs	21.38 (₹ Twenty-one crore and thirty-eight lakh only)	Turbo Par (TI-UP)	29	Provisional CARE A (SO) [Single A (Structured Obligation)]	2.51	2.39
Series A2 PTCs	1.02 (₹ One crore and two lakh only)			Provisional CARE A- (SO) [Single A Minus (Structured Obligation)]	1.49	

Details of instruments/facilities in Annexure-1.
[#]The pass-through certificates (PTCs) are rated based on the timely payment of interest and the 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.
[$]100% excess interest spread (EIS) shall be utilised to make principal payments to the PTC investors till the PTCs are fully paid off.

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

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned the ratings of 'Provisional CARE A (SO)' [pronounced as 'Single A (Structured Obligation)'] and 'Provisional CARE A- (SO)' [pronounced as 'Single A Minus (Structured Obligation)'] to the Series A1 PTCs and Series A2 PTCs, respectively, issued by Nimbus 2022 SBL Epiphany, backed by unsecured MSME loan receivables originated by Ashv Finance Limited (AFL).

The ratings are based on the credit quality of the underlying loans, the support in the form of credit enhancement (CE), the credit underwriting and servicing capability of the originator, the well-defined payment mechanism, and the robust legal structure of the transaction.

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

a. Assignment agreement
b. Trust deed
c. Power of attorney
d. Legal opinion from an independent legal counsel
e. Due diligence audit report
f. Any other documents executed for the transaction.

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 transaction is structured at par and interest payouts for Series A1 PTCs are promised on a monthly basis, while the interest payouts to Series A2 PTCs are expected till Series A1 PTCs are outstanding. The principal for Series A1 PTCs and Series A2 PTCs are promised to be paid on or before the final legal maturity.

The CE for Series A1 PTC includes cash CC of 10.00%, subordinated Series A2 PTC of 4.25%, over collateral (OC) of 6.25%, and EIS of 16.43% of the pool POS in the structure. The CC will be in the form of fixed deposits (FDs) with a lien marked in favour of the trust, as per CARE Ratings' criteria. The support of both, OC and EIS, is subject to realisation. The EIS is also subject to compression on account of prepayments in the pool. EIS will be utilised to prepay the PTC investors till the PTCs are completely paid off.

The assigned pool consists of 475 unsecured MSME loan contracts, aggregating to a principal outstanding of ₹23.89 crore as on cut-off date October 31, 2022. The top three states account for 64.40% of the total principal of the pool. All the contracts are current on payment; all contracts have been ever current. The pool has a weighted average seasoning of 9.3 months.

Key rating strengths:

- The robustness of the transaction structure and a well-defined payment mechanism.
- CE comprising CC, subordinated series A2 PTCs, OC, and EIS.
- No overdue contracts as on the pool cut-off date; all contracts are ever current.
- Underwriting policies and the collection capabilities of AFL.
- High weighted average seasoning of around 9.3 months with amortisation of around 25.56%.

Key rating weakness:

- Moderate concentration with the top three states accounting for 64.40% of the pool with top state accounting for around 35%.

Liquidity: Adequate

The inherent liquidity in the structure is adequate. The interest payouts for Series A1 PTCs are promised on a monthly basis, after Series A1 PTC is fully redeemed, the interest to Series A2 PTCs is promised to be paid on a monthly basis. The principal repayment for both Series A1 and Series A2 PTCs are promised by the last payout date. In case of any delinquency, the payouts are expected to be supported by CE in the form of CC, principal subordination in the form of Series A2 PTCs, OC and EIS.

Applicable criteria

Policy on Default Recognition
Assignment of Provisional rating
CARE Ratings' methodology for asset/mortgage-backed securitisation

Analytical approach

CARE Ratings' methodology for asset/mortgage-backed securitisation

Validity of the Provisional rating

The Provisional rating will be converted into a final rating after the receipt of the transaction documents are duly executed 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 the Provisional nature of the credit rating

When a rating is assigned pending 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, the final rating is assigned by CARE Ratings. In the absence of receipt of documents or in case such documents deviate significantly from the transaction structure considered by CARE Ratings, the Provisional rating will be reviewed or 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 CE is sufficient to cover the shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CARE Ratings has analysed the performance of static pools provided by the originator and the overall portfolio performance of the originator. Considering the borrower profile, nature of the loan, pool characteristics, and portfolio performance, CARE Ratings has taken the average shortfall at 11.00%-13.00% 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

Ashv Finance Ltd (AFL) (erstwhile Jain Sons Finlease Ltd) is a non-banking finance company (NBFC) incorporated in February 1998. On October 08, 2020, the company had received the approval from Registrar of Companies for change in the name of the company from 'Jain Sons Finlease Ltd' to 'Ashv Finance Ltd'. Ashv is a tech led NBFC empowering the small and emerging businesses of India. It is engaged in funding the MSME sector through various products both secured and unsecured financing within focus sectors of financial services, clean energy, water and sanitation, agriculture and rural business, healthcare, education and vocational training. It aims to serve the underbanked businesses in India. The company is promoted by the Aavishkaar group since 2011, which is focused on developing the impact ecosystem in the continents of Asia and Africa. The group is led by Vineet Rai who is the founder and CEO of the group. Ashv Finance started its lending operations in 2013.

Key financial indicators

Particulars	FY20 (A)	FY21 (A)	FY22 (A)	H1FY23 (A)
Total income (₹ crore)	74.97	97.85	128.52	97.72
PAT (₹ crore)	3.77	7.96	5.47	-7.63
Interest coverage (times)	1.09	1.12	1.09	0.89
Total assets (₹ crore)	517.63	610.4	905.73	1,087.72
Net NPA (%)	0.69	1.28	1.55	1.09
ROTA (%)	0.83	1.41	0.72	-1.53

A: Audited; UA: Unaudited

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	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Pass-through certificates	-	-	11.25	-	21.38	Provisional CARE A (SO)
Pass-through certificates	-	-	13.10	-	1.02	Provisional 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 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020	Date(s) and Rating(s) assigned in 2018-2019
1.	Pass-through certificates	LT	21.38	Provisional CARE A (SO)	-	-	-	-
2.	Pass-through certificates	LT	1.02	Provisional CARE A- (SO)	-	-	-	-

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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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