

## Nimbus 2022 MFI Boulevard Originator: Pahal Financial Services Private Limited

June 17, 2022

### Ratings

Instrument <sup>#</sup>	Amount (₹ Crore)	Rating / Credit Opinion <sup>1</sup>	Rating Action
Series A1 PTC	14.81 (₹ Fourteen crore and eighty-one lakh only)	CARE A (SO) [Single A (Structured Obligation)]	Final Rating Assigned
Series A2 PTC	0.51 (₹ Fifty-one lakh only)	CARE A- (SO) [Single A minus (Structured Obligation)]	

<sup>#</sup> The PTCs are rated based on timely payment of interest and ultimate payment of principal (TIUP)

### Detailed Rationale and Key Rating Drivers

CARE Ratings Ltd (CARE Ratings) has assigned a rating of 'Provisional CARE A (SO)' [pronounced as 'Single A (Structured Obligation)'] to the Series A1 PTCs and a rating of 'Provisional CARE A- (SO)' [pronounced as 'Single A Minus (Structured Obligation)'] to the Series A2 PTCs. The PTCs are issued by Nimbus 2022 MFI Boulevard backed by microfinance loan receivables originated by Pahal Financial Services Private Limited ("the Originator" or PFSPL).

The rating is now confirmed and 'CARE A (SO)' [pronounced as 'Single A (Structured Obligation)'] has been assigned to Series A1 PTCs and a credit opinion equivalent to a rating of 'CARE A- (SO)' [pronounced as 'Single A Minus (Structured Obligation)'] to the Series A2 PTCs. The rating / credit opinion is finalised based on the structure provided to CARE Ratings by Pahal Financial Services Private Limited (PFSPL), the originator. The ratings have been confirmed after the copies of 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 (PFSPL), to the satisfaction of CARE Ratings.

Furthermore, the above rating / credit opinion was finalised based on the below-mentioned documents submitted to the satisfaction of CARE Ratings:

- a) Accounts Agreement
- b) Assignment Agreement
- c) Servicing Agreement
- d) Trust Deed
- e) Information Memorandum
- f) Power of Attorney
- g) Legal Opinion
- h) KYC Audit Report

### Rating Sensitivities

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

1. Lower than expected delinquencies
2. Buildup 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 Rationale & Key Rating Drivers

The rating / credit opinion assigned are finalised based on the structure provided to CARE Ratings Limited by PFSPL, the originator. The rating / credit opinion have been confirmed after the copies of 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 (PFSPL), to the satisfaction of CARE Ratings.

The assigned Pool consisted of 6,922 contracts, aggregating to a principal outstanding of ₹ 14.81 crore in Series A1 PTCs and 0.51 crore in Series A2 PTCs given as microfinance loans, as on cut-off date March 2, 2022. The top three states accounted for 90.50% of the total principal of the Pool with the top state, Gujarat, accounted for 61.65%. All the contracts were current on payment. The Pool has weighted an average seasoning of around 8.78 months.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careedge.in](http://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 of pool cut-off date
- Underwriting policies and collection capabilities of PFSPL;
- High-weighted average seasoning of around 8.78 months with amortisation of around 39.05%.

**Key rating weaknesses:**

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

**Liquidity position: Adequate**

Series A1 PTCs: The inherent liquidity in the structure is adequate. The interest and principal payouts for Series A1 PTCs are promised every month and principal of PTCs (both Series A1 PTC and Series A2 PTC) is promised to be paid by legal final maturity. The interest of Series A2 PTCs is promised to be paid on monthly basis after repayment of Series A1 PTCs and prior to that it will be on expected basis. The principal of Series A2 PTCs is fully subordinated to Series A1 PTCs. In case of any delinquency, the payouts are expected to be supported by Over collateral, Cash Collateral and EIS.

Applicable Criteria

[Policy on default recognition](#)

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

Analytical approach

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

**Key rating assumptions: NA****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 ₹ 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, Chhattisgarh and Uttar Pradesh.

**Key financial indicators**

Brief Financials: Standalone (₹. crore)	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 (%)	2.7	0.58	0.22

A-Audited; P: Provisional;

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

**Any other information:** No

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

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

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

**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	-	March 31, 2022	9.75%	October 12, 2023	14.81	CARE A (SO)
Pass Through Certificates	-	March 31, 2022	14.50%	October 12, 2023	0.51	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 (₹ 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	14.81	CARE A (SO)	1)Provisional CARE A (SO) (01-Apr-22)	-	-	-
2	Pass Through Certificates	LT	0.51	CARE A- (SO)	1)Provisional CARE A- (SO) (01-Apr-22)	-	-	-

**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. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About us:

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

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