Nami 03 2024 (Revised)

Originator: Krazybee Services Private Limited

April 03, 2024

Instrument#	Amount Rated (₹ crore)	Rating[1]	Rating Action
Series A1 SNs	60.23	CARE A+ (SO)	Final Rating Assigned

#The securitisation notes (SNs) are rated based on the timely payment of interest and the payment of principal by the final legal maturity 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 Plus (Structured Obligation)'] to the Series A1 SNs, issued by Nami 03 2024, backed by a pool of personal loan receivables originated by Krazybee Services Private Limited (KSPL).

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

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: Factors likely to lead to rating action

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

- During the amortisation phase, delinquencies (90+ days past due [DPD]) of <2% coupled with a sustained high collection efficiency (cumulative collection efficiency of >98%).
- Build-up of cash collateral (CC) of more than 2x the initial proposed (as a percentage of the balance principal outstanding [POS]).

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

- Delinquencies (90+ DPD) of >5% coupled with a sustained lower collection efficiency (cumulative collection efficiency of <90%).
- Utilisation of the CC.
- Sharp deterioration in the credit profile of the originator.
- Non-adherence to key transaction terms envisaged at the time of the rating.

Analytical approach

The final rating is based on conformity of the executed transaction documents with the proposed structure of the transaction. The rating also factors inter alia, analysis of the underlying pool of receivables, expected performance of the pool, performance of originator's portfolio, and transaction structure including the proposed credit enhancement.

Detailed description of the key rating drivers

The rating assigned is finalised based on the structure provided to CARE Ratings by KSPL, the originator. The rating has been confirmed after 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 (KSPL), to the satisfaction of CARE Ratings.

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

Key strengths:

- The robustness of transaction structure and well-defined pool selection criteria and payment mechanism.
- Credit enhancement comprising CC, principal subordinate over collateral (OC), and EIS.
- No overdue contracts as on the pool cut-off date.
- Underwriting policies and collection capabilities of KSPL.

Key weakness:

- Exposed to inherent credit risk associated with the unsecured nature of asset class.

Liquidity: Adequate

The inherent liquidity in the structure is adequate. The interest payouts for Series A1 SNs are promised monthly, while the principal of Series A1 SNs 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, and EIS.

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 9.00% - 11.00% 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. The pool cash flow has been further adjusted for prepayments of underlying loans, assuming a monthly prepayments in the range of 1.00%-1.50%.

Applicable criteria

Policy on Default Recognition
CARE Ratings' methodology for asset/mortgage-backed securitisation

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Securitisation

KSPL is a Bengaluru-based, systemically important non-deposit taking non-banking finance corporation (ND-SI NBFC). It was incorporated on March 16, 2016, and received its NBFC licence from Reserve Bank of India (RBI) in May 2017. The company commenced its operations with focus on the niche student personal loans segment under the brand name 'KrazyBee' (owned by Finnovation). Later, it diversified into offering unsecured loans to young professionals in April 2018 under the brand 'KreditBee' (owned by Finnovation).
KSPL uses 'Kreditbee', which is an end-to-end digital lending app owned by Finnovation. This includes sourcing, underwriting, disbursements, and collections of loans. All these processes are conducted digitally with negligible manual intervention.

The company is a subsidiary of Finnov Private Limited, a Singapore-based entity. Finnovation Tech Solutions Private Limited ('Finnovation') [a 74% subsidiary of the Finnov] provides technical backbone and acts as a marketplace for connecting borrowers with lenders including KSPL. Finnov Private Limited ('Finnov'), Singapore, is a vehicle for raising equity and deploying these amounts in the lending entity (KSPL) and technology platform (Finnovation).
Madhusudhan Ekambaram is the co-founder and CEO of KSPL. He is the co-founder, along with Karthikeyan Krishnaswamy, CTO, and Vivek Veda, CFO. Madhusudhan Ekambaram is directly involved in the company's product, business strategy and investments, along with the CTO who leads the entire technical implementation including website development and B2C app roll out. Vivek Veda has experience in dealing in multiple domains in Finance. The CEO is supported by a strong management team with an overall experience of 18 years in various fields of finance, risk, and IT firms.

Key financial indicators - KSPL

Particulars	FY22 (A)	FY23 (A)	9MFY24 (LR)
Total income (₹ crore)	336.87	719.07	939.99
PAT (₹ crore)	28.96	64.95	137.21
Loan book (₹ crore)	1,161.56	2,393.11	4,112.84

Particulars	FY22 (A)	FY23 (A)	9MFY24 (LR)
Net NPA (%)	0.75%	0.78%	0.67%
ROTA (%)	2.32%	2.98%	4.96%

A: Audited; LR: Limited Review; Note: 'these are latest financial results available'.

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

Any other information:
Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:

Name of Director	Designation of Director
Adesh Kumar Gupta	Non-executive - Independent Director

Mr. Adesh Kumar Gupta who is an Independent Director on the board of Krazybee Services Private Limited is Non-executive Independent Director at CARE Ratings Ltd. Independent/Non-Executive Directors of CARE Ratings Ltd. are not a part of CARE Ratings Ltd.'s Rating Committee and do not participate in the rating process.

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

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

Complexity level of various instruments: Annexure-4

Lender details: Annexure-5

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
Securitisation notes	INE0UM815012	22-03-2024	11.35%	20-06-2026	60.23	CARE A+ (SO)

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Securitisation notes	LT	60.23	CARE A+ (SO)	-	1)Provisional CARE A+ (SO) (26-Mar-24)	-	-

LT- Long term

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

Early amortisation trigger events

On any of the following trigger events occurring, replenishment will stop and no further receivables will be acquired, with the transaction moving to amortisation phase:

- The originator does not have sufficient receivables (which meet the eligibility criteria) to be purchased for ensuring that the outstanding principal of the total pool post replenishment is at least 95% of the initial pool.
- Collection efficiency (current month collection from the pool or current month demand from the pool) for any collection period falls below 85% for two consecutive months during the replenishment period.
- Occurrence of any seller's event of default[2]; including, without limitation, if the seller defaults on any of its payment obligations pertaining to the proposed structure or from other lenders.
- Occurrence of any servicer's event of default, including, without limitation, if the servicer defaults on any of its payment obligations pertaining to the proposed structure or from other lenders.
- Rating of the servicer falls by one notch or below as of the initial settlement date.
- The eligibility or selection criteria is not compliant with statutory or regulatory requirements.
- Rating of Series A1 SNs falls 1 notch or below their rating as on the initial settlement date.
- More than 5.0% of facilities or loans forming part of the total pool have days past due (DPD) of more than 90 days during the replenishment period (PAR>90).
- The occurrence of an insolvency-related event regarding the seller.
- The failure on the part of the seller to observe or perform, in any respect any covenant or obligation or undertaking under the initial assignment agreement or supplemental assignment agreements, or any representations or warranties made by the seller under the initial assignment agreement or supplemental assignment agreements is incorrect in any respect (event of non-compliance).
- The capital adequacy ratio (CAR) of the seller (determined according to applicable directions and instructions of the RBI) falls below 18%.

Eligibility criteria

All receivables to be purchased during the replenishment phase will be selected based on the following eligibility criteria:

- Minimum holding period (MHP) of facilities comprising the total pool should meet the criteria set under the RBI's 'Securitisation Directions'.
- The minimum retention requirement in respect of the underlying loans comprising the pool should comply with requirements prescribed under the RBI's 'Securitisation Directions'.
- Not classified as a non-performing asset for purposes of directions and guidelines of the RBI.
- Should have minimum residual tenor of 12 months or 365 days as on the initial pool cut-off date.
- Pool contracts should have zero DPDs as on pool cut-off dates and should not have been terminated or prepaid as on pool cut-off dates.
- Compliance with know your customer; norms specified by the RBI.
- No loan should have been restructured or rescheduled the books of the seller (determined according to the criteria prescribed by the RBI). Facilities should be existing at the time of selection and must not have been terminated or prepaid.
- Facilities should be provided in and are denominated in Indian Rupees (INR) and are repayable in INR.
- The seller should not have initiated any legal or repossession action against any obligors or in respect of any facilities.
- Each underlying loan comprising the pool must have a scheduled repayment date or maturity date of no later than one month prior to the Series A1 Legal final maturity date.
- To the knowledge of the seller, no (MAC) or cross-default events should have occurred under underlying loan agreements.
- No force majeure clauses should exist under underlying loan agreements.
- All pool contracts should have been fully disbursed by the originator.
- Each underlying loan comprising the total pool should be free from encumbrance and the seller is the sole legal and beneficial owner of such facility.
- None of the borrowers should be mentioned in or appear in the RBI's list of defaulters, the ECGC's list of defaulters, and/or the RBI wilful defaulters list.
- No instance of fraud or misrepresentation from seller should have occurred in respect of any loans comprising the pool.
- No underlying loans comprising the pool should have been previously assigned to another bank or financial institution (FI) by the seller.
- No contracts in the eligible pool should possess an original tenure of more than 24 months.
- No contracts comprising the initial pool and replenishment pools should possess a residual tenure of more than 21 months as on the initial pool cut-off date and replenishment pool cut-off date(s).
- Loan contracts comprising the initial pool and replenishment pools should possess a CIBIL score of 700 and above.

[2] Occurrence of any Seller's Event of Default means if the Seller defaults on any of its payment obligations pertaining to the proposed structure or from other lenders.

- Loan contracts forming part of the initial and replenishment pools should possess a rate of interest of less than 27.00%.
- Loan contracts from Gujarat, Haryana, Madhya Pradesh, Uttar Pradesh, West Bengal, and Delhi should not form part of the initial and replenishment pools.
- Top state concentration in the initial pool and the replenishment pools should not exceed 30.00%.

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of Instrument	Complexity Level
1.	Securitisation notes	Highly complex

Annexure-5: Lender details

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.

Contact us

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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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