

Marigold Trust 1V June 2023
Originator: Manappuram Finance Limited

September 24, 2024

Instrument	Amount (₹ crore) [@]	Balance Tenure (months) [*]	Credit Enhancement (₹ crore)		Rating ¹	Rating Action
			Cash Collateral	Over Collateral or Subordination		
Series A1 SNs	29.36	57	10.91	17.16	CARE AAA (SO)	Reaffirmed

Details of instruments/facilities in Annexure-1

[@]After August 2024 payout.

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

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed the ratings of the Series A1 SN issued by Marigold Trust 1V June 2023, backed by CV, CE and Auto (car) loan receivables originated by Manappuram Finance Limited (MFL), at 'CARE AAA (SO)' [pronounced as Triple A (Structured Obligation)].

The reaffirmation in the ratings is primarily based on the performance of the underlying loans over the past 14 months post-securitisation, the robust legal structure, the well-defined payment mechanism, the significant build-up in cash collateral (CC) and over collateral (OC) – as a percentage of the balance amount of securitisation notes (SNs), the subordination of excess interest spread (EIS), the servicing capability and overall performance of MFL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

NA

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ DPD) of >7% coupled with the sustained lower collection efficiency (cumulative collection efficiency of <90%).
- Deterioration in the credit profile of the originator.
- Utilisation of CC.
- Non-adherence to key transaction terms envisaged at the time of the rating.

Analytical approach

The rating reaffirmation is based on inter alia, observed & expected performance of pool, presence of credit enhancement and adherence to the transaction structure.

Pool Performance:

The pool has amortised by 57.37% in fourteen months post-securitisation, with nil utilisation of CC. The pool has exhibited moderate delinquencies. As on August 2024, overdue (OD) (as a percentage of the initial principal outstanding [POS]) is 1.71%. The credit enhancement (CE) available is sufficient to sustain the ratings for the balance tenure.

Pool summary (as of August-2024 payout)	
Months post-securitisation	14
Pool amortisation	57.37%
30+ delinquency (percentage of the initial pool POS)	6.66%
90+ delinquency (percentage of the initial pool POS)	2.75%
Overdue amount (percentage of the initial pool POS)	1.71%
Cumulative Collection Efficiency [CCE]	97.66%
CC (percentage of the balance SN POS)	37.17%
Cumulative prepayments	22.43%

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

Detailed description of the key rating drivers

Key strengths:

- CC as a percentage of SN POS is 37.17%, which remains unutilised, and OC, which is 58.47% of SN POS.
- The pool has performed on expected lines for 14 months (post-securitisation) and has amortised 57.37%.
- Well-defined payment mechanism and adherence to the transaction structure.
- The 90+ DPD and OD in the pool is moderate at 2.75% and 1.71% (as % of initial pool POS).

Key weakness:

- Underlying borrowers in the pool have volatile cash flow.

Liquidity: Strong

The inherent liquidity in the structure is strong. The interest payouts for Series A1 SNs are promised on a monthly basis while the principal of Series A1 SN is promised to be paid on or before the final legal maturity. The investors in Series A1 SN may expect principal repayment on a monthly basis as per the agreed waterfall mechanism. In case of any delinquency, the payouts are expected to be supported by CC (in the form of fixed deposits [FDs]), OC, and EIS.

Key rating assumptions

CARE Ratings has analysed the transaction to assess whether the CE is sufficient to cover shortfalls. Since the transaction is sensitive to the credit quality of the underlying pool, CARE Ratings has analysed the performance of the pool and the overall portfolio performance of the originator. Considering the borrower profile and the nature of the loan, the pool characteristics and the portfolio performance, CARE Ratings has taken the average shortfall from 5.5% to 6.5% 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. CARE Ratings has found that the CE provided is sufficient to cover shortfalls in a stress scenario commensurate with the assigned rating. The pool cash flow has been further adjusted for prepayments of underlying loans, assuming a monthly prepayments in the range of 0.5%-1.0%.

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

MFL is a NBFC registered with RBI as non-deposit accepting loan company, headquartered in Valapad, Kerala. MFL is promoted by VP Nandakumar in 1992 and as on March 31, 2023, the promoters' stake in MFL stood at 35.20%. The company is listed on BSE and NSE. Other major stake holders of MFL are Quinag Acquisition (Fpi) Ltd (9.90%), Fidelity Investment Trust Fidelity Series Emerging Markets Opportunities Fund (3.66%), and the rest is held by FIIs and Public. The company offers loan against used jewellery/ gold ornaments, and it constitutes around 56% of AUM (on consolidated basis) as on March 31, 2023. The rest of the AUM majorly includes MFI loans, vehicle loans, housing loans, MSME and allied loans and corporate loans, which stood at 26%, 7%, 3%, 6% and 2% respectively as on March 31, 2023. As on December 31, 2023, the gold loan constitutes around 51%, MFI Loans at 26% and other loans being the balance. The company provides MFI loans and housing loans through its subsidiaries namely Asirvad Microfinance Limited (rated CARE AA-; Stable) and Manappuram Home Finance Limited (rated CARE AA-; Stable) respectively. The company has consolidated AUM of ₹35,452 crore as on March 31, 2023, and ₹40,385 crore as on December 31, 2023.

Key financial indicators – Manappuram Finance Limited

Brief financials	FY22 (A)	FY23 (A)	FY24 (A)
Total operating income (₹ crore)	6,126	6,750	8,920
PAT (₹ crore)	1,329	1,500	2,197
Total assets (₹ crore)	33,575	39,287	46,475
Net NPA (%)	2.72	1.15	1.7
ROTA (%)	4.11	4.12	5.12

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

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

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

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 and Rating Outlook
Securitisation Notes		30-06-2023	8.85%	17-05-2029	29.36	CARE AAA (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 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	29.36	CARE AAA (SO)	-	1) CARE AAA (SO) (17-Aug-23) 2) Provisional CARE AAA (SO) (29-Jun-23)	-	-

LT: Long term

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

Not applicable

Annexure-4: Complexity level of the 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:

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