

## NIMBUS 2022 MFI Woody Originator: Pahal Financial Services Private Limited

June 27, 2022

### Ratings

Instrument#	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Series A1 PTCs	14.13 (Rs. Fourteen crore and thirteen lakh only)	CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]	Final Rating Assigned

Details of instruments/facilities in Annexure-1.

# The PTCs are rated based on timely payment of interest and payment of principal on or before the last scheduled payout date.

### Detailed Rationale and Key Rating Drivers

CARE Ratings Limited had assigned a rating of 'Provisional CARE BBB+ (SO)' [pronounced as 'Triple B Plus (Structured Obligation)'] to the Series A1 PTCs issued by NIMBUS 2022 MFI Woody backed by pool of microfinance loan receivables originated by Pahal Financial Services Private Limited (PF SPL).

The rating is now confirmed and 'CARE BBB+ (SO)' [pronounced as Triple B Plus (Structured Obligation)] has been assigned to Series A1 PTCs.

Further, 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) Legal Opinion from independent legal counsel
- g) KYC Audit Report

### Rating Sensitivities

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

1. Lower than expected delinquencies.
2. Build-up 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 description of Key Rating Drivers:

The rating assigned is finalised based on the structure provided to CARE Ratings Limited by PF SPL, the originator. The rating has 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 (PF SPL), to the satisfaction of CARE Ratings Limited.

The assigned pool consisted of 4,692 contracts aggregating to a principal outstanding of Rs. 16.15 Cr given as microfinance loans as on cut-off date March 02, 2022. Top three states accounted for 96.06% of the total principal of the pool with the top state, Bihar accounted for 41.81%. The weighted average seasoning of the pool was 5.69 months as on the cut-off date. All the contracts were current on payment.

### Key Rating Strengths:

- Credit Enhancement comprising Cash Collateral, overcollateral 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 PF SPL;
- High weighted average seasoning of around 5.69 months with amortisation of around 22.47% as on Pool cut-off date.

### Key Rating Weaknesses:

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

<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

### Liquidity Position: Adequate

The inherent liquidity in the structure is adequate. The interest payouts for Series A 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 cash collateral, principal subordination in the form of over collateral and EIS.

### Applicable Criteria

[Policy on default recognition](#)

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

### Analytical approach

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

### Key Rating Assumptions: NA

About the Company

Pahal Financial Services Private Limited (Pahal) is NBFC MFI registered with the Reserve Bank of India since January 2014. Pahal started with acquisition of a small JLG portfolio of Rs.2.60 crore from 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 (Rs. crore) (As per IND AS)	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 (%) (PAT/Average Adjusted Assets)	2.7	0.58	0.22

A-Audited; P- Provisional

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

**Rating History for 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	-	March 31, 2022	13.75%	November 22, 2023	14.13	CARE BBB+ (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	14.13	CARE BBB+ (SO)	1)Provisional CARE BBB+ (SO) (04-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 Ltd. 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](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

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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.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**