

Creciente
Originator: Pahal Financial Services Private Limited

March 30, 2021

Ratings

Instrument [#]	Amount (Rs. Crore)	Structure	Tenure* (months)	Rating	Credit Enhancement (Rs. Crore)	
					Over Collateral	Cash Collateral
Series A1 PTC	22.78 (Rs. Twenty two Crore and seventy eight lakhs only)	Par	21	Provisional CARE A- (SO) [Provisional CARE Single A minus (Structured Obligation)]	3.25	1.30

[#] PTCs are rated on Ultimate Payment basis

Details of instruments/facilities in Annexure-1.

*The tenure may change due to prepayments / foreclosures in the pool.

Detailed Rationale and Key Rating Drivers

CARE has assigned a rating of 'Provisional CARE A- (SO)' [pronounced as 'Provisional CARE Single A minus (Structured Obligation)'] to Series A, issued by Creciente backed by microfinance loan receivables originated by Pahal Financial Services Private Limited (PFSPL).

The rating for PTCs is provisional based on the structure provided to CARE by PFSPL, the Originator & the Assignor. The rating will be 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 is furnished by the Assignor, to the satisfaction of CARE.

The rating is based on the credit quality of the underlying loans, the transaction structure and defined payment mechanism, support in the form of credit-cum-liquidity enhancement facility and the sound legal structure of the transaction.

Rating Sensitivities

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

- Lower than expected delinquencies
- Build-up of cash collateral (as % of Balance POS)

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

- Deterioration in pool collections
- Downward revision in rating of originator, creating the prospect of Commingling / Servicer Risk.
- Deterioration in the overall pool performance.

Detailed description of the key rating drivers

The credit-cum-liquidity enhancement includes over collateral, credit collateral and subordination of excess interest spread (EIS) of Rs.2.12 Crore (8.15% of pool POS) in the structure. Credit collateral will be in the form of fixed deposit with a lien marked in favour of the trust as per CARE's criteria. Over collateral is fully subordinated to Series A PTCs.

The transaction is structured at par. Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A PTCs. Any excess amount after making payment to Series A PTCs will flow back to the originator on a monthly basis. In case of shortfall in payment to Series A PTCs, cash collateral will be utilized only on the last payout date for making principal payouts. Prepayments during a month will be paid towards Series A PTCs. NCPL will act as the servicer to the transaction.

The assigned pool consists of 13,120 contracts aggregating to a principal outstanding of Rs. 26.04 Cr given as microfinance loans as on cut-off date Mar 1, 2021. Top three states account for 100.00% of the total principal of the pool with the top state, Gujarat accounting for 87.59%. All the contracts are current on payment.

Key Rating Strengths:

1. Available Credit Enhancement comprising of Over Collateral of Rs. 3.25 Cr (12.50% of POS), Credit Collateral of Rs. 1.30 Cr (5.00% of POS), and EIS of Rs. 2.12 Cr (8.15% of POS).
2. There are no overdue contracts in the pool.

Key Rating Weaknesses:

1. Rising delinquencies in the overall company portfolio
2. Geographical concentration with top 3 states accounting for 100.00% of total pool POS with the top state (Gujarat) alone constituting ~88%

Analytical approach & Applicable Criteria

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

Liquidity Position

The inherent liquidity in the structure is adequate. The interest payouts for Series A PTCs are promised on a monthly basis, while the Series A principal is expected on a monthly basis. The principal for Series A PTCs is promised by the last payout date. In case of any delinquency, the payouts are expected to be supported by Over Collateral, Excess Interest Spread and Cash Collateral (in the form of a Fixed Deposit).

Key Rating Assumptions

CARE has analyzed the transaction to assess whether the credit cum liquidity enhancement is sufficient to cover shortfalls. Since the transaction is sensitive to credit quality of the underlying pool, CARE has analyzed the performance of static pools provided by the originator and overall portfolio performance of the originator. Considering the borrower profile, nature of loan, pool characteristic and portfolio performance, CARE has assumed the peak shortfall between 12.00% – 14.00% of 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

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 Rs.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, Chhatisgarh and Uttar Pradesh with and AUM of Rs.736.44 crore as on March 31, 2020. Currently Rated – 'BBB- Stable' (August 07, 2020)

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total income	89.52	145.41
PAT	8.03	15.89
Tangible Networth	56.71	112.25
Gross NPA (%)	0.09	0.23
Net NPA (%)	0.05	0.23
ROTA (%)	2.20	2.68

Status of non-cooperation with previous CRA: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Pass Through Certificates	-	-	-	22.78	Provisional 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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Series A Pass Through Certificates	LT	22.78	Provisional CARE A-(SO)	-	-	-	-

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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