

**Northern Arc 2019 MFI Godard  
 (Originator: Satin Creditcare Network Limited)**

July 03, 2020

**Ratings**

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Series A PTC	42.72 (Rs. Forty two Crores and seventy two Lakhs Only)	CARE A (SO) [CARE Single A (Structured Obligation)]	Final Rating Assigned

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE had assigned a rating of 'Provisional CARE A (SO)' [pronounced as 'Provisional CARE single A (Structured Obligation)'] to the Series A PTCs issued by Northern Arc 2019 MFI Godard backed by microfinance loans originated by Satin Creditcare Network Limited (SCNL).

The rating is now confirmed and rating of 'CARE A (SO)' [pronounced as CARE single A (Structured Obligation)] to Series A PTCs issued by Northern Arc 2019 MFI Godard has been assigned. The rating assigned is finalized based on the structure provided to CARE by SCNL, 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 is furnished by the Originator (SCNL), to the satisfaction of CARE.

The pool assigned to the SPV by SCNL, consisted of 22,167 microfinance loan contracts aggregating to principal outstanding of Rs.54.23 crores. The weighted average net seasoning of the pool was good at 8.46 fortnights as on the pool cut-off date (15th January 2020). The pool was diversified in terms of geographical exposure with top state (West Bengal) contributing 22.12% of the pool principal. All the contracts were current on payment.

**Rating Sensitivities:**

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

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

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

1. Impact of COVID-19 pandemic and Moratorium period on Pool Collections.
2. Downward revision in rating of originator, creating the prospect of Commingling / Servicer Risk.
3. Deterioration in the overall pool performance.

**Detailed description of the key rating drivers: NA**

**Key Rating Strengths: NA**

**Key Rating Weaknesses: NA**

**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 monthly basis, while the Series A principal is expected on a monthly basis. 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 Fixed Deposit).

**About the Company**

SCNL is a leading microfinance company based out of Delhi. The company is registered with Reserve Bank of India (RBI) as a non-deposit accepting, systemically important non-banking financial company (NBFC) and had been granted NBFC-MFI status on November 6, 2013, by RBI. SCNL is also listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Incorporated in 1990, the company was initially engaged in providing loans to individuals including shopkeepers etc. in the urban areas. In 2008, the company started group lending business with joint liability group (JLG) model which constituted 96% of the portfolio of SCNL as on March 31, 2019 with MSME loans constituting the balance 4% of AUM as on Mar-19.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

MSME Loans include unsecured loans of ticket size of Rs.1-10 Lacs for a period of 1-10 years and corporate loans to other MFIs of Rs.3-10 crore. The operations of SCNL are spread across 22 states/ UTs i.e. Uttar Pradesh, Madhya Pradesh, Bihar, Punjab, Delhi/ NCR, 5 CARE Ratings Limited Press Release Uttarakhand, Rajasthan, Haryana, Chandigarh, Jammu & Kashmir, Maharashtra, Chhattisgarh, Jharkhand, Himachal Pradesh, West Bengal, Gujarat, Orissa, Assam, Karnataka, Meghalaya, Tripura and Pondichery. As on June 30, 2019, SCNL was operating in 359 districts managed through 1073 branches with 32.71 Lac active borrowers (Individual & JLG) with total assets under management (AUM) being Rs.6,414 crores. SCNL also has a subsidiary Taraashna Services Limited (“TSL”) acquired in Sept 2016 which acts as a business correspondent for 4 Banks/FIs with presence in 8 states and AUM of Rs.591 crores as on Sept 30, 2019. Further, SCNL, has floated a wholly owned Housing Finance Company for entry into affordable housing segment, Satin Housing Finance Limited (incorporated in April 2017) which started lending in February 2018 upon receipt of approval from NHB. The loan book of HFC was Rs.113 crore as on Sept 30, 2019. SCNL has also floated another subsidiary Satin Finserve Limited for undertaking lending in MSME space (loans of 1-10 lac ticket size) earlier being undertaken in SCNL

Currently, SCNL has outstanding rating of “CARE A-; Stable” & “CARE A1” for its long & short term debt obligations.

Brief Financials (Rs. crore)	FY18 (A)- IGAAP	FY18 (A)- INDAS	FY19 (A)- INDAS
Total Operating Income	977	976	1,373
PAT	4	82	195
Interest Coverage (times)	1.01	1.32	1.57
AUM	5,085	5,085	6,374
Total Assets	5,753	6,171	6,674
Net NPA Ratio/ Net PAR 90 Ratio (%)	2.62	1.69	1.77
Adj. ROTA (%)*	0.07	1.45	2.64

#### 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
Series A Pass Through Certificates	Jan'20	9.20% p.a.	Nov'21	42.72	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	42.72	CARE A (SO)	-	1)Provisional CARE A (SO) (04-Feb-20)	-	-

**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](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 CARE Ratings:

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