

Northern Arc 2020 CL Savior
Originator: Loantap Credit Products Private Limited

September 11, 2020

Ratings

Instrument	Amount (Rs. Crore)	Structure	Yield	Tenure* (months)	Rating ¹	Credit Enhancement(Rs. Crore)	
						Over Collateral	Cash Collateral
Series A PTC	14.47 (Rs. Fourteen Crore and forty seven lakhs only)	Par with acceleration	Fixed	46	Provisional CARE BBB+ (SO) [CARE Triple B plus (Structured Obligation)]	1.61	1.29

#Series A PTC is 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 BBB+ (SO)' [pronounced as 'Provisional CARE Triple B plus (Structured Obligation)'] to the Series A PTCs (Structured Obligation)' issued by Northern Arc 2020 CL Savior backed by personal loan receivables originated by Loantap Credit Products Private Limited (LCPPPL).

The rating for PTCs is provisional based on the structure provided to CARE by LCPPPL, the Originator & 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:

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. Deterioration in pool collections due to COVID-19 pandemic and nationwide lockdown.
2. Downward revision in rating of originator, creating the prospect of Commingling / Servicer Risk.
3. Deterioration in the performance of the originator may impact the overall 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.2.61 Crore (16.23% of pool POS) in the structure. Cash 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. EIS arising in a month shall be available for meeting the payouts to Series A PTCs and replenishment of cash collateral.

The transaction is structured at par with acceleration. Collections of a particular month will be utilized to make promised interest and expected principal payouts to Series A PTCs. 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 to Series A PTCs. No payment shall be made to the residual beneficiaries until Series A PTCs have matured. LCPPPL will act as the servicer to the transaction.

The pool assigned to the SPV by LCPPPL, consists of 914 personal loan contracts aggregating to principal outstanding of Rs. 16.08 crore. The pool has weighted average net seasoning of 13.85 months on the pool cut-off date (31st July 2020). The pool is concentrated; top three cities accounting for 68.53% of the pool principal. The pool has amortized by 22.95%. All the contracts are current on payment.

The assigned pool consists of 914 contracts aggregating to a principal outstanding of Rs. 16.08 Cr given as personal loans as on cut-off date July 31, 2020. Top three states account for 100.00% of the total principal of the pool with the top state, Bihar accounting for 59.91%. All the contracts are current on payment. The Pool has weighted average IRR of 18.01%.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths:

1. Available Credit Enhancement comprising of Over Collateral of Rs. 1.61 Cr (10.00% of POS), Cash Collateral of Rs. 1.29 Cr (8.00% of POS), and subordination of EIS.
2. There are no overdue contracts in the pool.
3. None of the contracts in the pool have availed the moratorium.

Key Rating Weaknesses:

1. Geographic concentration in the pool, top three cities comprises 68.53% of the pool principal.
2. Asset quality performance of the entity through different economic cycles and geographies is yet to be established.

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. The residual beneficiaries would not receive any collections from the pool until the entire Series A PTC principal and respective interest dues are fully repaid. 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).

Key Rating Assumptions

Loantap Credit Products Private Limited (LCPPPL) erstwhile Lotus Sree Filco Private Limited is a Pune based private limited company registered as NBFC-ND with Reserve Bank of India and is engaged in retail finance business. The company is committed to deliver flexible loan products to the customers ranging from Personal Term Loans, EMI free loans, Overdraft etc. The day to day operations of the company are managed by Mr. Satyam Kumar and Mr. Vikas Kumar and the top management is ably assisted by experienced middle and lower management.

Loantap Financial Technologies Private Limited holds 99.74% stake in the company. As on September 30, 2019, the company is operating in 20 cities with major presence in western part of India. LCPPPL's AUM stood at Rs.293.54 crore as on March 31, 2020.

LCPPPL is currently rated "CARE BBB-; Stable" for its long term obligations.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	(0.66)	0.06
PAT	(0.67)	0.00
Interest coverage (times)	0.83	1.01
Total Assets	66.22	179.92
Net NPA (%)	0.45	1.09
ROTA (%)	NM	0.00

A: Audited

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	-	-	Jun'24	14.47	Provisional 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 (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	14.47	Provisional CARE BBB+ (SO)	-	-	-	-

Annexure 3: 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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