



Press Release

Genesis 03 2023

(Originator: Fintree Finance Private Limited)

March 31, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Cash Collateral	Ratings	Rating Action	Complexity Indicator
Long Term – Series A1 PTCs	7.44	5% of the pool principal (0.44 crores)	*Provisional IVR BBB- (SO) Stable [Provisional IVR Triple B Minus (Structured Obligation) with Stable Outlook]	Assigned	Complex
Total			7.44 (Rupees Seven Crores and Forty Four Lakhs Only)		

* The rating assigned to the PTCs is 'provisional' and not a comment on the achievability of the projections submitted by the company. The rating will be confirmed/affirmed once the company submits the following executed documents as mentioned below to the satisfaction of Infomerics:

- Trust Deed
- Assignment Agreement
- Servicing Agreement
- Accounts Agreement
- Power of Attorney
- Information Memorandum
- Legal opinion
- Creation of Cash collateral equivalent to 5% of the pool principal with a scheduled commercial bank and submitting the proof of the same

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings has assigned '**Provisional IVR BBB-(SO)/Stable**' rating to Series A1 pass-through certificates (PTCs) issued by 'Genesis 03 2023' against loans backed by unsecured business loan receivables originated by Fintree Finance Private Limited (FFPL).

The ratings assignment takes into consideration the strength of cash flows from the underlying pool, credit support available to the PTCs, payment mechanism of the



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transaction, the credit quality of the underlying pool receivables, FFPL's origination and servicing capabilities, and soundness of the transaction's legal structure.

Transaction Structure: According to the transaction structure, the loan receivables will be transferred "at par" to a Special Purpose Vehicle (SPV) and the Trust will issue the PTCs to the investors. The transaction will have a Timely Interest Ultimate Principal (TIUP) structure. Series A1 PTC holders are entitled to receive timely interest and principal on a monthly basis, while originator's share in the form of over collateralization are entitled to receive the principal payment only after Series A1 PTCs are fully redeemed/repaid.

Credit support available in the transaction is as follows:

- Over collateralization of 16% percent of the pool principal
- Cash collateral of 5.00% of the pool principal (Rs 0.44 Crore); and
- Excess Interest Spread (Net) of 13.87 % of the pool principal.

Payment Mechanism: Series A1 (a) PTCs have a senior claim over the cash flows of the pool, Excess interest spread and cash collateral. 100% cash flows of the underlying pool are made available for servicing Series A1 PTCs and once the Series A1 PTCs are fully paid, the cash flows can be utilised to meet other obligations.

Key Rating Sensitivities:

Upward Factors

The sustained strong collection performance of the underlying pool, leading to lower-than-expected delinquency levels, an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Downward Factors

The sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels, cash collateral levels decreasing below 5% of the outstanding PTCs, would result in a rating downgrade.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Credit support available in the structure:

Credit collateral of Rs 0.44 crore (5% of the pool principal) provides credit support to Series A1 PTCs. The PTCs also benefit from scheduled cashflow subordination for Series A1 PTCs and over collateralization of 16.00%. As per the waterfall mechanism, the entire cash flows are available for servicing Series A1 PTCs and only after the series A1 PTCs are fully paid, the cash flows can be utilized for meeting other obligations. The pool has an average IRR of 28.39% when compared to 13.25% IRR on PTCs which results in excess interest spread which is available throughout the tenure of the PTCs

Adequacy of Credit enhancement: The credit enhancement available in the transaction is Rs 0.44 Crores (5% of the pool principal) in the form of fixed deposits. This covers 1 month's investor pay-outs even with no cash flows from the pool. The transaction also has Excess interest spread (Net) of 13.87% available over the tenure of the PTCs which provided additional liquidity comfort.

Compliance of regulatory requirement: The transaction complies with the regulatory requirements such as minimum retention ratio, minimum holding period and all the loans in the pool are on time with no overdue.

Key Rating Weaknesses

High risk profile of underlying asset class: The pool consists of unsecured business loans and as an asset class, historically exhibited higher delinquency and is vulnerable to external environment.



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Moderate seasoning of contracts in the pool: The contracts in the pool have a weighted average seasoning of 9 months (no. of EMLs paid) when compared to average tenure of 24 months in the pool.

Geographical Concentration: The pool is concentrated in terms of geography. Top 3 states- Maharashtra - ~44%, Telangana - ~15% and Delhi- ~13%) account for ~72% of the pool.

Analytical Approach: The rating is based on the analysis of the past performance of FFPL's portfolio, key characteristics and composition of the current pool, performance expected over the balance tenure of the pool and the credit enhancement available in the transaction.

Applicable Criteria:

[Rating Methodology - Securitization Transactions](#)

[Criteria of assigning rating outlook](#)

[Policy on Provisional Ratings](#)

Liquidity – adequate

The credit enhancement available in the transaction is Rs 0.44 Crores (5% of the outstanding pool principal) in the form of fixed deposits. This covers ~1 month's investor pay-outs assuming nil cash flows from the pool. The transaction also has Excess interest spread (Net) of 13.87% available over the tenure of the PTCs which provided additional liquidity comfort.

Additional disclosures for Provisional ratings:

The provisional rating is contingent upon execution of the following documents:

- Trust Deed
- Assignment Agreement



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- Servicing Agreement
- Accounts Agreement
- Power of Attorney
- Information Memorandum
- Legal opinion
- Creation of Cash collateral equivalent to 5% of the pool principal with a scheduled commercial bank and submitting the proof of the same

Additional documents executed for the transaction, if any, should also be provided to IVR. The provisional rating shall be converted into a final rating after receipt of transaction documents duly executed within 90 days from the date of issuance of the instrument. The final rating assigned post conversion shall be consistent with the available documents. In case of non-receipt of the duly executed transaction documents within the above-mentioned timelines, the rating committee of IVR Ratings may grant an extension of up to another 90 days.

Key Rating Assumptions: To assess the collection shortfalls and gross default rates for this transaction, IVR has analysed the pool characteristics vis-a-vis the overall portfolio of the company, the performance of static pool and dynamic pool of FFPL's loan portfolio and the current operating environment that could impact the performance of the underlying pool contracts and the prepayment rates. IVR expects the base case peak shortfall in the pool (based on the dynamic pool), to be in the range of 2.00% to 4.00% of pool principal. IVR expects the prepayments in the range of 1.00% to 2.00% per month. IVR Ratings does not envisage any risk arising on account of commingling of cash flows given the waterfall mechanism of the transaction. IVR Ratings has adequately factored in the risks arising on account of counterparties (refer to counterparty details provided below).

Capacity	Counterparty Name	Counterparty rating/Track record	Impact on credit ratings in case of non-performance
Originator	Fintree Finance Private Limited	Unrated	Significant
Collection and servicing agent	Fintree Finance Private Limited	Unrated	Significant



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Trustee	Catalyst Trusteeship Limited	Adequate record	track	Negligible
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Rating that would have been assigned in absence of the pending documentation: In the absence of documentation considered while assigning provisional rating as mentioned above, IVR Ratings would not have assigned any rating.

Risks associated with provisional nature of credit rating:

A prefix of 'Provisional' to the rating symbol indicates that the rating is contingent upon execution of certain documents by the issuer, as applicable. In case the documents received deviates significantly from the expectations, IVR Ratings may take an appropriate action including placing the rating on watch or a rating change on a case to case basis. In the absence of the pending documentation, the rating on the instrument would either have been different or not assigned ab initio.

A rating rationale/report indicating the conversion of the 'provisional' rating into 'final' following receipt of all the required final legal documents will be published on the IVR website. Please click on the link below for detailed information on IVR's policy on provisional rating

<https://www.infomerics.com/policies-and-procedures-details/policy-on-provisional-ratings>

About the pool:

The pool securitised comprises unsecured business loan receivables. The pool has weighted average seasoning of 9 months (no of EMIs Paid). The pool is geographically concentrated with top three states accounting for ~72% of pool principal. Average ticket size is Rs 7,53,322 with average interest rate of 28.39%. All the contracts in the pool were current as on pool cut-off date (February 28, 2023). Infomerics Ratings has adequately factored all these aspects in its rating analysis.

About the Originator:



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Fintree Finance Private Limited (FFPL), incorporated on 28th May 2015 is a Non-Banking Financial Company (NBFC) registered with RBI and is an impact lender having its corporate office in Mumbai. It is a NBFC catering to the unmet needs of MSME segment in a robust, swift and efficient method. FFPL is professionally managed led by Founder & MD Mr. Lalit Shah and is supported by a team of seasoned senior professionals across all business functions. Company received NBFC license from RBI on 3 Nov 2017 and started commercial operations in October 2018.

FFPL aim is to help the under-served MSME segment of the country by capitalizing over a quarter century of experience in the BFSI sector and adopting the latest technology. FFPL has a track record of ~5 years into lending business and the Company is at present operating through 11 branches located at Mumbai, Delhi, Hyderabad, Pune, Bangalore, Jaipur, Ahmedabad, Indore, Chennai, Coimbatore and Rajkot.

Financials (Standalone):

	Rs.Crore	
For the year ended/ As on*	31-03-2021 Audited	31-03-2022 Audited
Total operating income	18.10	22.14
EBITDA	1.61	0.58
PAT	0.94	0.05
Total Debt	21.49	50.43
Tangible Net-worth	27.45	37.89
Total Loan assets	64.62	101.61
Overall gearing (Times)	0.78	1.33
Total CAR (%)	39.57	33.22
Gross NPA (%)	3.79	2.39
Net NPA (%)	3.03	1.91

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil



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Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Series A1 PTCs	Long Term	7.44	Provisional IVR BBB-(SO)/Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sree Harsha	Name: Mr. Amit Bhuwania
Tel: (022) 62396023	Tel: (022) 62396023
Email: sree.harsha@infomercis.com	Email: abhuwania@infomercis.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any



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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Series A1 PTCs	-	-	-	7.44	Provisional IVR BBB- (SO)/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details – Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Payment Mechanism:

On every Paying Date, the Trustee will determine the adequacy of the funds lying in the Collection and Payout Account to make the Investor Payouts to the Investors and other payments set out here below on every Payout Date. In the event that the funds in the Collection and Payout Account are inadequate or insufficient to make certain Investor Payouts as indicated below, the Trustee will utilise External Credit Enhancement as indicated below to meet such shortfall. On each Payout Date, the funds lying in the Collection and Payout Account, along with any amounts withdrawn by the Trustee from External Credit Enhancement, the clean-up purchase consideration (if any), and any amounts recovered pursuant to legal proceedings [(including for the enforcement of any security interest in respect of the secured assets)], will be utilised in the following order of priority::

A. Till such time the Series A1 PTCs are outstanding:

- for payment of all statutory and regulatory dues;
- for the payment of any fees and expenses incurred by the Trustee or any fees payable to service providers and/ or any other amounts expressly provided for in the Transaction Documents. PROVIDED THAT the Servicing Fee shall only be



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appropriated from the EIS component, and if, in any Collection Period the EIS is insufficient to make a complete payment of the Servicing Fee, then the deficit portion of the Servicing Fee shall be paid out in the next occurring Collection Period(s);

- iii. towards payment of yield on Series A1 PTCs set out to be paid on the preceding payout dates as per the Expected Payout Schedule that remains unpaid provided that if there is a shortfall in meeting the said payment, then the Trustee shall utilise the External Credit Enhancement to meet such shortfall;
 - iv. towards payment of yield on Series A1 PTCs set out to be paid on the given payout dates as per the Expected Payout Schedule provided that if there is a shortfall in meeting the said payment, then the Trustee shall utilise the External Credit Enhancement to meet such shortfall;
 - v. towards payment for redemption of Series A1 PTCs set out to be paid on the given payout date as per the Expected Payout Schedule including the redemption payments set out to be paid on the preceding payout dates that remains unpaid;
 - vi. any prepayments will be utilized for accelerated redemption of Series A1 PTCs;
 - vii. for replenishment of External Credit Enhancement, to the extent utilised and not replenished already; and
 - viii. all balance amounts shall be utilised for the purposes of payment to the Residual Beneficiary
- B. Upon redemption of the Series A1 PTCs in full:
- i. for payment of all statutory and regulatory dues;
 - ii. for the payment of any fees and expenses incurred by the Trustee or any fees payable to service providers and/ or any other amounts expressly provided for in the Transaction Documents; and for payment to the Residual Beneficiary.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.