

Rating Release

October 27, 2009
Mumbai

CRISIL upgrades ratings for India's first microfinance loan receivables securitisation transaction

PTC	Yield Terms	Original Principal (Rs. mn)	Principal Outstanding (Rs. mn)	Original Tenure# (Months)	Rating\$
Series A1	Fixed	125.4	59.0	20	AAA(so) [Upgraded from 'AA(so)']
Series A2	Residual	31.3	31.3	20	A(so) [Upgraded from 'BBB(so)']
Cash Collateral	-	18.3	18.3	20	Unrated

Actual tenure will depend on the level of prepayments in the pool, and on the exercise of the clean-up call option.

\$ The Series A1 PTCs are entitled to receive interest on a fortnightly basis. There is an expected schedule for principal repayments; however, the structure allows for principal payments to be made by the maturity date of the PTCs (ultimate payment structure).

CRISIL has upgraded its ratings assigned to the Series A1 and the Series A2 pass through certificates (PTCs) issued by IFMR Trust Pioneer – I. The rating for Series A1 PTCs has been upgraded to **'AAA(so)'** from **'AA(so)'**, while the rating for Series A2 PTCs has been upgraded to **'A(so)'** from **'BBB(so)'**. These PTCs are backed by microfinance loan receivables originated by Equitas Micro Finance India Pvt Ltd (Equitas; rated **'BBB-/Stable'** by CRISIL).

The rating upgrades reflect the increased cover that the transaction's credit enhancement provides to the PTCs as a result of the strong collection performance. Continued strong collection performance of the underlying pool could lead to a further upward movement in the rating for the Series A2 PTCs.

Pool Performance Summary:

PTC	Amortisation level	Balance tenure (months)	Credit support*	CCR	30+dpd	CC utilisation
Series A1	42.3%	12	63.7	99.8%	0.04%	0.0%
Series A2			32.4			

*Credit support for the PTCs includes excess interest spread (EIS) of Rs.14.1 million generated thus far, which is trapped in the structure and maintained in the form of a fixed deposit. Credit support for the Series A1 PTCs also includes Rs.31.3 million in the form of subordination of the Series A2 PTCs. The rated PTCs also enjoy additional credit support in the form of EIS scheduled from future receivables.

start-up, the company has rapidly grown in the past 23 months, cumulatively disbursing Rs.6.0 million until September 30, 2009. It had more than 575,000 borrowers and a portfolio outstanding (based on assets under management) of Rs.4.3 billion as on the same date. The promoters, along with relatives and associates, held 27 per cent stake in the company as on September 30, 2009. The promoters' stake in the company has declined from 53 per cent in October 2008, as the company has issued shares to new institutional investors and the existing institutional investors have converted their preference shares into equity.

Equitas reported a profit after tax of Rs.22.05 million and a total income Rs.349.73 million for 2008-09 (refers to financial year, April 1 to March 31). The company reported a profit after tax of Rs.104.26 million and a total income Rs.511.12 million for the half year ended September 30, 2009.

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