

ABS Pools Rated by ICRA

Report on Performance until March 2020

Structured Ratings

Finance

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1. Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated ABS transactions that were live between October 2019 and March 2020.¹ In total, the performance of 227 transactions across 69 originators covering a wide variety of asset classes like commercial vehicle (CV), auto (Car), construction equipment (CE), tractor, two-wheeler, MSME, machinery loans, Loan against gold and micro loans is given.

For each transaction, the key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilisation are covered. The report also contains details of rating actions taken by ICRA (new ratings assigned, ratings upgraded, ratings downgraded, and ratings reaffirmed) between 1st November 2019 and 31st May 2020.

ICRA has also analysed asset class-wise performance for its rated pools covering asset classes like CV, micro loan, and MSME loans. The analysis focuses on key parameters like cumulative collection, monthly collection and quarterly collection trends. Delinquency trends and credit enhancement utilisation trends have also been captured as part of the analysis.

The key takeaways from the analysis are presented below:

Commercial vehicles

- Pools originated in CY2013 and CY2014 have shown weaker collection performance compared with that of other pools at similar points post securitisation. The performance of pools securitised in CY2019 was robust till March 2020.
- The monthly collection efficiency for the first three quarters of FY2020 averaged at around 96%-97% whereas for Q4 FY2020 it averaged at 95%. This was on account of the Covid-19 pandemic, which led to business closures in the second half of March 2020.
- Owing to strong collection performance, the CC utilisation in the live pools was low. CC was utilised in only five live pools till March 2020.
- The credit enhancement cover for all the pools is commensurate with the ratings outstanding on these pools. The difference between the break-even collection efficiencies and actual observed collection efficiencies remains comfortable for all pools. The delinquencies have remained elevated in New MHCV segment due to the macro economic stress observed in this segment.

Micro Loan Pools

- The most recent vintage of CY2019 displayed weak performance for a few months owing to natural calamities such as cyclone Fani and severe floods. However, subsequently, the pool performance gradually improved with collection efficiencies typically bouncing back within a few months.
- The performance of the pools has largely remained healthy with collection efficiency above 96% till February 2020, however, it witnessed a steep decline due to the pandemic and subsequent lockdown observed across the nation.

Small Business Loan Pools

- ICRA observed an increase in the securitisation of MSME loan pools in CY2019 and CY 2020 owing to the decline in liquidity for the originators as well as increase in investors for this asset class.
- ICRA rated MSME pools continued to demonstrate strong performance till March 2020.

¹ The current report provides updates till Mar-20 collection month. For summary of collection trends post Mar-20, please refer to ICRA's note at this [Link](#)

- The loss cum 30+ dpd which had spiked to around 16% of the initial pool principal amount post demonetisation had reduced to around 4% as of March 2019 and further reduced to around 3% as on March 2020 due to higher collection efficiencies.

The report also provides a comprehensive User Guide enlisting key terms and metrics used by ICRA for rating and monitoring the performance of ABS transactions. The section titled “Key Performance Indicators of ABS Transactions” features a discussion on the various important indicators monitored by ICRA.

In all, ICRA has rated more than 1,009 Asset Backed Securitisation (ABS)² transactions till date, with the rated amounts aggregating to around Rs. 1,48,200 crore³.

² For the purpose of this report, “ABS” includes bilateral assignment of pool of non-mortgage retail loans, on a rated basis

³ Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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Pool-wise performance of all live ICRA-rated ABS transactions

- 227 transactions across 69 Originators, live between October 2019 and March 2020
- Asset classes including Commercial Vehicle (CV), Auto (Car), Construction Equipment (CE), Tractor, Two Wheeler, SME, MSME, Machinery Loans, Loan against Gold and Micro loans
- For each transaction, all key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilization covered (sample format annexed)

As well as...

- List of rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between 1st November 2019 and 31st May 2020 are also summarised.
- Comprehensive User's Guide enlisting key terms/ metrics used by ICRA for rating and monitoring performance of ABS transactions, with a brief description of how these metrics are computed and should be interpreted by the users of this report

Summary analysis - Commercial Vehicle Loan Pools

- Analysis of the key performance indicators pertaining to all ICRA-rated CV loan pools that were securitised in the period Calendar Year CY2007 – CY2019; pools grouped into various annual cohorts (based on the year in which these pools were securitised). Analysis covers -
 - Median cumulative collection, monthly collection, delinquency and prepayment, discussion on trends seen in recent months and seasonal pattern in collections
 - Median credit enhancement utilisation and cash collateral utilization, peak cash collateral utilisation analysis, analysis of credit enhancement cover (ratio of total credit enhancement to the principal outstanding against 90+ dpd contracts) and analysis of breakeven collection efficiency

Summary analysis - Micro Loan Pools

- Analysis of key performance indicators pertaining to Micro loan pools securitised since January 2011 and whose commencement date⁴ was prior to July 2019; pools grouped into various annual cohorts (based on the year in which these pools were securitised). Analysis covers -
 - Average cumulative and monthly collection and delinquency trends in micro loan transactions
 - Analysis of cash collateral build up vis- a-vis senior PTC amortisation in these pools
 - Rating transition for different instruments (based on seniority)
 - Prepayment trends in these pools

Summary analysis – Small Business Loan Pools

- Analysis of the key performance indicators pertaining to Small Business loan pools that were securitised in CY2012 - CY2019. For this analysis, ICRA has clubbed these pools together. This analysis covers the following-
 - Delinquency trends across pools
 - Month on Month Collection and Delinquency trends since September 2016 upto March 2020

⁴ Commencement Date- The date from which the pool receivables have been transferred

Sample Report Format

Originator Name : XYZ Limited.

Issue Name : [(Originator) (Asset Class) D.A. (MMM-YY)] / (Name of SPV)

Trustee / Purchaser Representative: ABC Trust Ltd.

Commencement Month: MMM YY

Asset Composition

Asset Class

Asset Share

Initial Pool Details

Transaction Structure	Purchaser Payouts Principal (Rs. Cr.)
Staggering	Pool Principal (Rs. Cr.)
Credit Enh. (% of Purchaser Payouts)	Pool Cashflow (Rs. Cr.)
Cash Collateral	No of Contracts
Excess Interest Spread	Tenure (months)
Subordination	Average Loan To Value

Pool Performance till: Month Year

Months Post- Securitisation	Prepayment Analysis
Cumulative Collection Efficiency	Avg. Monthly Prepayment Rate
Cumulative Collection / Cumulative Purchaser Payouts	Cumulative Prepayment
Cumulative Credit Enhancement Utilisation	Loss cum Delinquency
Cumulative Cash Collateral Utilisation	90+ dpd (% of Initial Pool Size)
	180+dpd (% of Initial Pool Size)

Details of Remaining Pool

Purchaser Payouts Principal O/s (Rs. Cr.)	Pool Principal O/s (Rs. Cr.)
Cr. Enh. (% of Purchaser Payouts O/s)	Balance Tenure (months)
Cash Collateral	90+dpd (% of Balance Pool Size)
Excess Interest Spread	180+dpd (%of Balance Pool Size)
Subordination	Break-even Collection Efficiency

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ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.



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