

# ABS Pools Rated by ICRA

## Report on Performance until September 2020

### Structured Finance Ratings

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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 April 2020 and September 2020.<sup>1</sup> In total, the performance of 187 transactions across 63 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 1<sup>st</sup> June 2020 and 31<sup>st</sup> October 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**

- Cumulative collection efficiency dropped in the past few months for live pools due to the impact of the moratorium on loan repayment. The impact is more profound in newer pools originated in CY2020 as the impact of pandemic caused the disruption in these pools in the first few months itself.
- As the entire country was under lockdown due to the Covid-19 pandemic, collection efficiencies dipped significantly in April 2020. However, throughout the moratorium period the collection efficiencies witnessed gradual increase. The collection efficiency scaled back to ~100% in September 2020 which was the first month post end of moratorium.
- Though collections declined, as per the RBI directives, there was a standstill on delinquency movement. Due to this, delinquencies remained largely stable. However, post end of moratorium period, delinquencies rose sharply in softer bucket of 0+dpd in September 2020.
- In spite of fall in collections, CC utilisation was lower than expected as most of the investors provided moratorium on PTC payouts and also suspended CC utilisation during this period.

### **Micro Loan Pools**

- As MFI operations came to a grinding halt in April 2020, collection efficiencies were close to nil in most of the transactions. However, as lockdown was gradually lifted across parts of the country, the microfinance entities were able to restart their collection activities. Average monthly collection efficiency for ICRA-rated pools was ~70% in September 2020.
- The delinquencies remained range bound till the collection month of February 2020. An increase was witnessed from March 2020 and delinquencies in the softer buckets spiked in September 2020 which was first month post moratorium.

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

### **Small Business Loan Pools**

- ICRA observed an increase in the securitisation of MSME loan pools in CY2019 and CY2020 owing to the decline in liquidity for the originators as well as increase in investors for this asset class.
- The severe slowdown following the pandemic could lead to some deterioration in the delinquency levels. Collections dipped during the initial moratorium months of March 2020 to May 2020; however, they witnessed a bounce back during the second phase of moratorium from June 2020 to September 2020.
- Post the end of the moratorium period, the delinquencies in the softer bucket witnessed a spike in September 2020.

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 1,036 Asset Backed Securitisation (ABS)<sup>2</sup> transactions till date, with the rated amounts aggregating to around Rs. 1,53,750 crore<sup>3</sup>.

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

<sup>3</sup> Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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

- 187 transactions across 63 Originators, live between April 2020 and September 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 1<sup>st</sup> June 2020 and 31<sup>st</sup> October 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 CY2012 – CY2020; 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 date<sup>4</sup> was prior to January 2020; 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 - CY2020. 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 September 2020

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<sup>4</sup> 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.)
<b>Credit Enh. (% of Purchaser Payouts )</b>	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	<b>Prepayment Analysis</b>
Cumulative Collection Efficiency	Avg. Monthly Prepayment Rate
Cumulative Collection / Cumulative Purchaser Payouts	Cumulative Prepayment
Cumulative Credit Enhancement Utilisation	<b>Loss cum Delinquency</b>
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.)
<b>Cr. Enh. (% of Purchaser Payouts O/s )</b>	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

## Table of Contents

Executive Summary .....	2
Summary of Performance of ABS Pools.....	4
Rating Actions .....	18
ABS Pools rated by ICRA .....	23
User's Guide.....	29
Summary Performance Update .....	33
Annexure I: Key Performance Indicators of ABS Transactions.....	128
Annexure II: ABS Instruments rated by ICRA .....	132
Annexure III: ICRA Rating Scale .....	140



## 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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