ABS Pools Rated by ICRA

December 2023

Report on Performance until September 2023

Structured Finance Ratings

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ICRA RESEARCH SERVICES

Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated ABS transactions that were live between May 2023 and October 2023. In total, the performance of 258 transactions across 49 originators covering a wide variety of asset classes like commercial vehicle (CV), auto (Car), construction equipment (CE), tractor, two-wheeler, micro small & medium enterprise (MSME), machinery loans, loan against gold and micro loans are discussed.

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 May 1, 2023 and October 31, 2023.

ICRA has also analysed asset class-wise performance for its rated pools covering asset classes like CV loans, micro loans 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 a part of the analysis.

The key takeaways from the analysis are presented below:

Commercial Vehicles

- Historically, ICRA-rated CV pools have reported collection performance well above the break-even collections, which is required to ensure no default to the investor through various cycles and macro events such as lockdwn led by pandemic, demonetisation and GST implementation.
- The collection efficiency showed stronger performance since H2 FY2022 due to stable macro-economic conditions. The performance of the pools had weakened in the prior period on account of the pandemic. This period comprised the multiple waves and subsequent lockdowns seen between March 2020 till January 2022. As the economy has witnessed substantial recovery and demonstrated consistent performance, ICRA expects the collections of the pools to remain stable in the near to medium term barring the cyclical nature of agriculture dependent loan pools.

Micro Loan Pools

- The microfinance industry has managed to revert to near pre-pandemic collections and asset quality. Barring certain geographies, the collections and asset quality continue to remain healthy across the industry. The impact of the new RBI guidelines post March 2022 has spurred growth in the industry with healthy growth in disbursements and better performance of the book, post the second wave.
- The delinquencies in the ICRA-rated micro loan pools continue to remain low with the levels in pools rated post second wave in line with the pre-pandemic numbers. The collections in the rated pools continue to remain healthy, barring the dips seen during festive periods and in certain geographies impacted by natural calamities.

Small Business Loan Pools

- The ICRA-rated MSME pools have shown strong performance on account of the regained economic momentum post the pandemic period. The MSME pools, like other asset classes, had witnessed a decline in collections in months post the end of moratorium in August 2020 and again in the second wave, albeit the decline was less intense. Going forward the collections are expected to remain stable.

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 1,380 Asset-Backed Securitisation (ABS)[1] transactions till date, with the rated amounts aggregating to around Rs. 1,87,000 crore[2].

[1] *For the purpose of this report, "ABS" includes bilateral assignment of pool of non-mortgage retail loans, on a rated basis*
[2] *Rs. 1 crore = Rs. 10 million = Rs. 100 lakh*

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

- 258 transactions across 49 originators, live between May 2023 and October 2023
- Asset classes, including commercial vehicles (CV), auto (Car), construction equipment (CE), tractor, two-wheelers, SMEs, MSMEs, 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 utilisation, covered (sample format annexed)

in addition -

- A list of rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between May 1, 2023 and October 31, 2023 are also summarised.
- A comprehensive user guide enlisting key terms/metrics used by ICRA for the 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 calendar year CY2014 – Q3 CY2023; pools grouped into various annual cohorts (based on the year in which these pools were securitised). Analysis covers -
  - Median cumulative collections, monthly collections, delinquency and prepayment, discussion on trends seen in recent months and seasonal pattern in collections
  - Median credit enhancement utilisation and cash collateral utilisation, 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 break-even collection efficiency

Summary analysis - Micro Loan Pools

- Analysis of key performance indicators pertaining to micro loan pools securitised since January 2012 and whose commencement date[3] was prior to September 2023; 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 during the period CY2012 – Q3 CY2023. For this analysis, ICRA has clubbed these pools together. This analysis covers the delinquency trends across pools.

[3] 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 Pay-outs)	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
	Loss cum Delinquency
Cumulative Credit Enhancement Utilisation	90+ dpd (% of Initial Pool Size)
Cumulative Cash Collateral Utilisation	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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ICRA 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. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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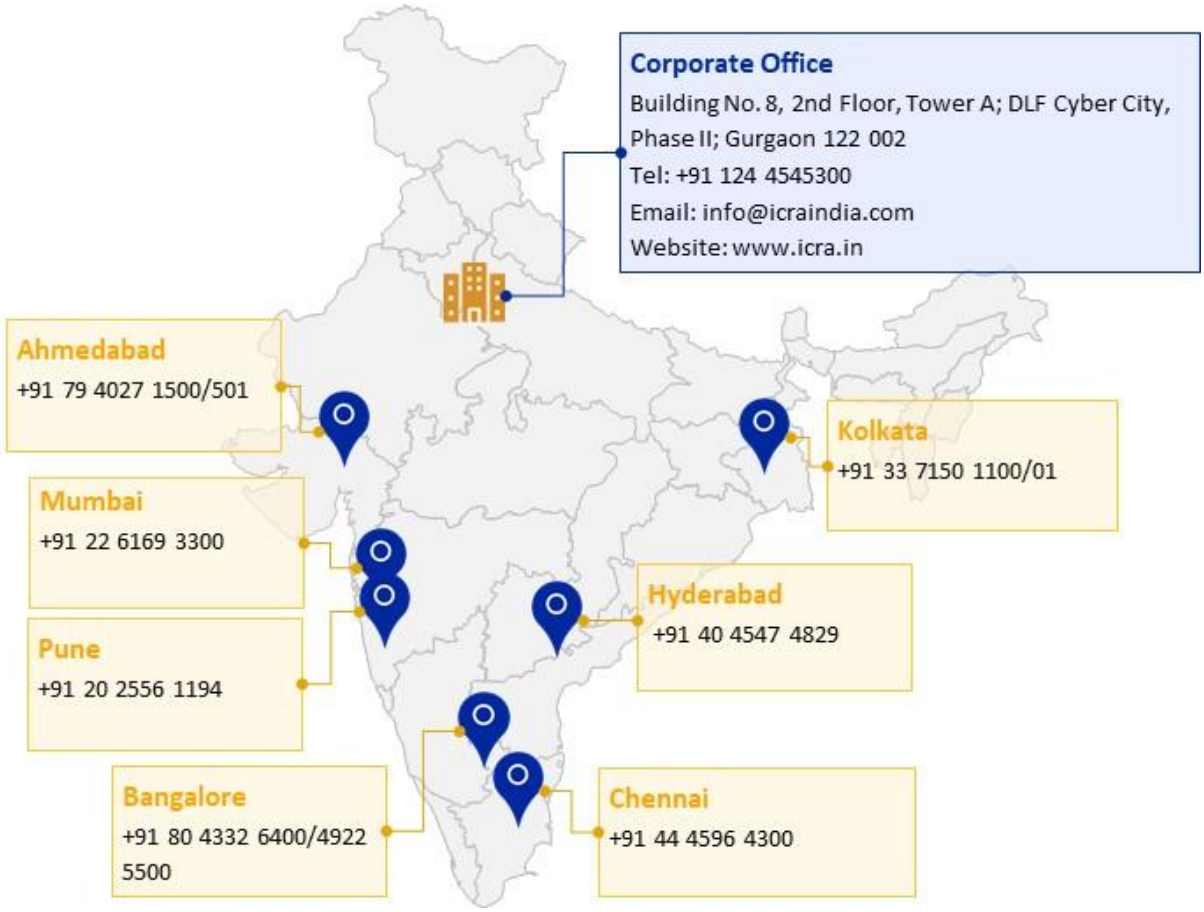

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