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CREDIT RATING

ABS Pools Rated by ICRA

June 2024

Report on Performance until March 2024

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 November 2023 and April 2024. In total, the performance of 298 transactions across 47 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 in the report.

For each transaction, the key performance parameters, including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilisation are assessed. The report also contains details of ICRA's rating actions (new ratings assigned, ratings upgraded, ratings downgraded, and ratings reaffirmed) between November 1, 2023 and April 30, 2024.

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.

The key takeaways from the analysis are presented below:

Commercial vehicles

- Despite the slowdown observed due to the macro-economic events such as pandemic, demonetisation and GST implementation, ICRA-rated CV pools' collections have been well above the break-even collections, a necessity to ensure no default to the investor.
- The cumulative collection efficiency (CCE) for the CV loan pools has remained above 90%. The collection efficiency has been reaching pre-pandemic levels on account of stable macro-economic conditions. While the performance of the pools had weakened on account of the Covid-19 pandemic over the 2.5 years, the collection efficiency has now reached pre-pandemic levels on account of stable macro-economic conditions. The rating of ICRA-rated securitisation transactions is expected to remain stable supported by the increase in the credit enhancement levels, given the gradual amortisation of the underlying pools and PTC principal.

Micro Loan Pools

- The microfinance industry continues to show healthy collections and good asset quality, barring certain geographies, which were impacted on account of certain events. Healthy demand and improving financial profile of the NBFC-MFIs has driven growth in disbursements and book size in FY2024. Securitisation throughout FY2024 has been a key source of funding for NBFC-MFIs with over 20% of their funding met through this route.
- The delinquencies in most of the rated pools continue to remain low, with the collections in most of the rated pools continuing to remain healthy. Certain pools in the impacted geographies have seen lower collections and higher delinquencies; however, share of the impacted geographies in pools has been low and it was observed that investors filtered out these geographies in newer pools.

Small Business Loan Pools

- The performance of the ICRA-rated MSME pools returned to the pre-pandemic levels of collection and delinquency in FY2024. The sector took relatively more time to come out of the aftermath of the lockdown-led slowdown in the economic activity compared to other sectors. Going forward the pools are expected to perform well in line with the strong economic scenario of the country. The unsecured business loan pools though would be more vulnerable to any macroeconomic shocks.

The report also provides a comprehensive user's 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 1,420 Asset-Backed Securitisation (ABS)¹ transactions till date, with the rated amounts aggregating to around Rs. 1,96,500 crore².

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 date³ 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	Cumulative Prepayment
Purchaser Payouts	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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About ICRA Limited:

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.

For more information, visit www.icra.in and www.icraresearch.in

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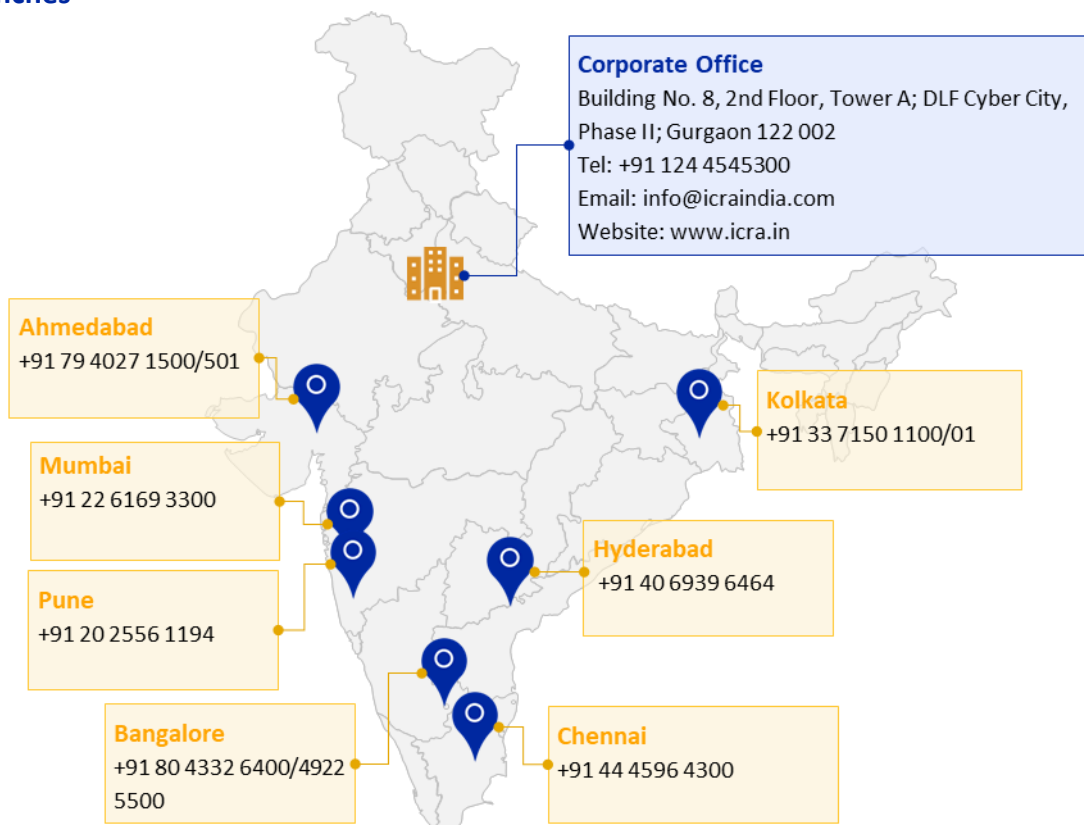


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