



ICRA



ABS Pools Rated by ICRA

December 2024

Report on Performance until September 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 May 2024 and October 2024. In total, the performance of 259 transactions across 50 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 May 1, 2024 and October 31, 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

ICRA-rated pools have shown resilience throughout various macro-economic events such as pandemic, demonetisation and GST implementation. Despite, the stress currently observed in the unsecured loans segment, the CV loans have demonstrated sturdy performance, given the secured nature of the asset class along with the more seasoned profile of the borrowers in this segment. Further, the structure of the transactions supported the investor pay-outs by way of excess interest spread and subordination from any temporary aberration in the collection efficiency. The cumulative collection efficiency (CCE) for the CV loan pools has remained above 95% for past few months. Considering the gradual amortisation leading to the build-up in credit enhancement for the investor pay-outs, we expect ICRA-rated CV pools to demonstrate healthy performance going forward.

Micro Loan Pools

- While the microfinance industry had seen healthy asset quality and growth in FY2024 there has been a dip in collections and increase in delinquency in H1 FY2025. Securitisation has been an important tool for funding for NBFC-MFIs with share in disbursements being upwards of 20%. The implementation of guardrails by self regulatory organisations (SRO) and increased focus by NBFC-MFIs on collections is likely to result in dip in disbursements in FY2025. With slowdown in disbursements and cautious approach by investors, the securitisation volumes for the asset class are likely to be muted which has been the trend in H1 FY2025.
- The delinquencies in rated pools have seen an increase in past few months. While most of the rated pools have performed better than portfolio, there has been a slippage in the softer delinquency buckets and the roll forward in the harder delinquency buckets would be a key monitorable. ICRA-rated pools continue to have sizeable credit enhancement. Microfinance pools see a faster build-up of enhancement, given the shorter tenure which is a positive.

Micro Small & Medium Enterprise (MSME) Pools

ICRA-rated MSME pools have witnessed lower collections in the last few months. The unsecured pools have witnessed higher impact of the macro-economic scenario, resulting in collection efficiency falling by ~5-10% in some transactions. Secured MSME pools have, as expected, shown better performance with collections slightly

lower by ~1-2%. However, due to presence of high credit enhancement, the PTC investors are not expected to face any impact. The performance of the securitised pools will be under close surveillance.

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 1,447 Asset-Backed Securitisation (ABS)¹ transactions till date, with the rated amounts aggregating to around Rs. 204,300 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

- 259 transactions across 50 originators, live between May 2024 and October 2024
- 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, 2024 and October 31, 2024 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 CY2024; 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 2024; 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 CY2024. 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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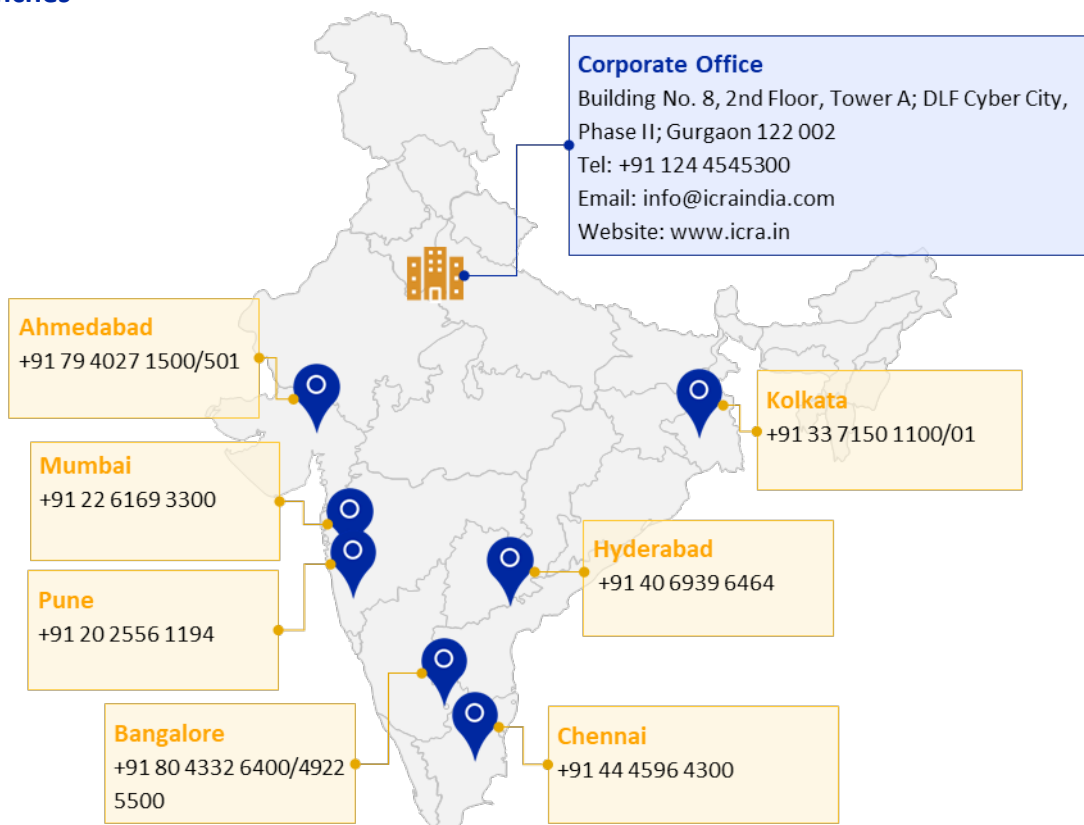


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