

September 27, 2022

## RBSG Capital Private Limited: Rating upgraded to [ICRA]A-(SO) for PTC Series A1 issued under vehicle loan receivables securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount O/s after Aug-22 Payout (Rs. crore)	Rating Action
<b>CredAvenue Princess 03 2021</b>	PTC Series A1	9.38	NA	2.12	[ICRA]A-(SO); Upgraded from [ICRA]BBB+(SO)

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) originated by RBSG Capital Private Limited (RBSG) are backed by a pool of vehicle loan receivables. The rating has been upgraded on account of the high amortisation in the transaction, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The breakeven collection efficiency for the pool is also comfortable compared to the actual collection level observed in the pool.

### Pool performance summary

A summary of the performance of the pool till the July 2022 collection month has been tabulated below.

Parameter	CredAvenue Princess 03 2021
Months post securitisation	17
Pool amortisation	68.81%
PTC amortisation – PTC Series A1	77.36%
Cumulative collection efficiency <sup>1</sup>	95.30%
Loss-cum-90+ (% of initial pool principal) <sup>2</sup>	3.22%
Loss-cum-180+ (% of initial pool principal) <sup>3</sup>	1.82%
Breakeven collection efficiency <sup>4</sup> PTC Series A1	35.36%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	39.26%
Principal subordination (% of balance pool) PTC Series A1	34.66%
Excess interest spread (EIS; as % of balance pool principal) PTC Series A1 <sup>5</sup>	17.17%
Cumulative prepayment rate <sup>6</sup>	9.83%

### Key rating drivers and their description

#### Credit strengths

- High amortisation of PTCs, resulting in build-up of cash collateral (CC), principal subordination and excess interest spread cover available for the balance PTC payouts

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows

<sup>5</sup> (Pool cash flows – Cash flows to PTC A1 – PTC A2 principal – Originator's residual share) / Pool principal outstanding

<sup>6</sup> Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal

- Healthy collection efficiency observed in the pool

### Credit challenges

- Rise in delinquencies at portfolio level; peaking of delinquencies yet to happen across vintages as most of the contracts have not completed a cycle and book-building primarily happened over the last couple of years only
- Pool’s performance will remain exposed to any fresh disruptions that may arise due to the Covid-19 pandemic

### Description of key rating drivers highlighted above

The pool has shown a healthy cumulative collection efficiency of more than 95% (including advance collections) in August 2022 (payout month). The loss-cum-30+ days past due (dpd) was reported at ~11% (as a percentage of the initial pool principal) as of the August 2022 payout. The breakeven collection efficiency of ~35% for PTC Series A1 was lower compared to the monthly collection efficiency and cumulative collection efficiency levels in the pool. The healthy collections and high pool amortisation of ~69% led to the significant build-up of the CE in the pool. Overall, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating to the current level in the transaction.

ICRA will continue to monitor the performance of this transaction. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA’s expectations. Notwithstanding the improvement in collections in recent months, ICRA notes that the performance of the pool would remain exposed to any fresh disruptions that may arise due to the pandemic, leading to lower-than-expected collections.

**Performance of past rated pools:** This is the first standalone PTC transaction of RBSG rated by ICRA.

### Key rating assumptions

ICRA’s cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the performance of the originator’s portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to consider the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	CredAvenue Princess 03 2021	2.50%-3.50%	12.0%-18.0% p.a.

### Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the payouts to the PTC investors.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the CC covers the balance PTC payouts.

**Negative factors** – The rating could be downgraded based on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and CE utilisation levels.

## Analytical approach

The rating action is based on the analysis of the performance of RBSG's portfolio till June 2022, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE cover available in the transaction.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the company

RBSG Capital Private Limited (RBSG; brand name – Automony) was incorporated in December 2017 and received its non-banking financial company (NBFC) licence in May 2018. It is a Reserve Bank of India (RBI)-registered non-deposit taking non-systemically important NBFC (NBFC-ND-NSI) focused on providing loans secured by hypothecation against commercial vehicles and passenger cars. The company currently operates only in Maharashtra and Gujarat and has a network of 17 branches covering about 20 districts. As on June 30, 2022, the company's assets under management (AUM) stood at Rs. 107 crore and it reported a net profit of Rs. 0.05 crore (March 2022: AUM of Rs. 120 crore and a loss of Rs. 2 crore).

## Key financial indicators (audited)

RBSG Capital Private Limited	FY2021	FY2022*	Q1 FY2023*
Total income	14.69	15.66	5.04
Profit after tax	0.43	(1.86)	0.05
Gross assets under management	106	120	127
Gross NPA	1.13%	2.66%	2.68%
Net NPA	0.95%	2.28%	2.29%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

\*Provisional

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
					Sep 27, 2022	Sep 14, 2021	Apr 06, 2021*		
1	CredAvenue Princess 03 2021	PTC Series A1	9.38	2.12	[ICRA]A-(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

\*Initial rating assigned

## Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
CredAvenue Princess 03 2021	PTC Series A1	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>CredAvenue Princess 03 2021</b>	PTC Series A1	March 2021	13.00%	September 2024	2.12	[ICRA]A-(SO)

\* Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool

Source: Company

### Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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For more information, visit [www.icra.in](http://www.icra.in)

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