

March 29, 2023

## RBSG Capital Private Limited: Provisional [ICRA]BBB(SO) rating assigned to PTCs backed by vehicle loan receivables issued by Nomius 03 2023

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nomius 03 2023	PTC Series A1	9.82	Provisional [ICRA]BBB(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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### Rationale

ICRA has assigned a provisional rating to PTC Series A1 under a securitisation transaction originated by RBSG Capital Private Limited {RBSG/Automony;[ICRA]BB+ (Stable)}. The pass-through certificates (PTCs) are backed by receivables worth a Rs. 13.49-crore pool of vehicle loans (underlying pool principal of Rs. 10.67 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts as well as the credit enhancement (CE) available in the form of (i) a cash collateral (CC) of 7.00% of the pool principal to be provided by the originator, (ii) over-collateralisation of 8.00% of the pool principal for PTC Series A1, and (iii) excess interest spread (EIS) in the structure. The rating is also based on the integrity of the legal structure and is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of EIS, subordination and CC
- All contracts in the pool are current as on the pool cut-off date
- Average seasoning of ~9 months as on the pool cut-off date

#### Credit challenges

- High share (~88%) of contracts with high IRR; >19% in the overall pool
- High geographical concentration in the pool at the state level with top state (Gujarat) accounting for ~64% share
- Pool's performance will remain exposed to macroeconomic shocks/business disruptions, if any

### Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to PTC Series A1 at the predetermined interest rate on the principal outstanding. The principal repayment to PTC Series A1 is promised on the final maturity date (August 2026). During the tenure of PTC Series A1, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to PTC Series A1. This principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A1 would be carried forward to the subsequent payout.

The first line of support for PTC Series A1 in the transaction is in the form of a subordination of 8.00% of the pool principal. Further credit support is available in the form of an EIS of 13.16% and a CC of 7.00% of the initial pool principal to be provided by RBSG in the transaction.

There are no overdues in the pool as on the cut-off date. The weighted average seasoning of the pool is ~9 months. It has high geographical concentration with contracts from only two states with the top state (Gujarat) accounting for ~64% of the overall pool principal. At the district level, the top district accounted for ~13% of the overall pool principal amount while the top 10 districts accounted for ~65%. Also, the performance of the pool would remain exposed to macroeconomic shocks/business disruptions.

**Performance of past rated pools:** ICRA has previously rated one pool originated by RBSG. The performance of the pool has been healthy till date with a cumulative collection efficiency of ~97% and nil CC utilisation till the February 2023 payout.

### Key rating assumptions

ICRA’s cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of the originator’s loan portfolio. ICRA has also taken into account the credit quality experience of RBSG and ICRA’s expectation of the credit quality for the asset classes involved. The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA’s internal benchmarks for the target rating.

For the current pool, after adjusting for key features like seasoning, overdues, loan-to-value (LTV), IRR and geographical distribution separately for each asset class in the pool, ICRA estimates the shortfall in pool principal collection within the pool’s tenure at 5.0-6.0%, with certain variability around it. The variability is based on the static pool analysis of RBSG’s portfolio for each asset class in the pool as well as on ICRA’s observation on the performance of the respective asset class for other originators. ICRA’s estimation of the variability also factors in the long and established track record of RBSG. The prepayment rate for the underlying pool is estimated to be in the range of 12.0-18.0% per annum.

### Liquidity position: Adequate

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 adequate to meet the promised payouts to the PTC Series A1 investors.

### Rating sensitivities

**Positive factors** – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future PTC payouts from the CE.

**Negative factors** – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), 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 December 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

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee compliance letter
5. Chartered Accountant's know your customer (KYC) certificate
6. Any other documents executed for the transaction

### Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

### Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

### About the company

RBSG Capital Private Limited (RBSG; brand name: Autonomy) 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 focused on providing loans secured by hypothecation against commercial vehicles (CVs) and passenger cars. The company currently operates only in Maharashtra and Gujarat. It has a network of 20 branches covering about 20 districts. Its assets under management (AUM) stood at Rs. 121 crore as of December 2022.

RBSG's focus is on used CVs and used passenger vehicles (PVs). The primary aim is to fund customers where the asset is an income-generating asset. Thus, personal usage vehicles form a small fraction of its portfolio. The product offering and the loan amount and rate are decided based on the borrower's profile, background, location, vehicle type, model, etc. The viability and usage of the vehicle is factored in before deciding on the case. The ticket size for small CVs, used cars, light CVs and medium CVs averages between Rs. 2 lakh and Rs. 8 lakh.

### Key financial indicators (standalone)

	FY2021	FY2022	9M FY2023
RBSG	Audited	Audited	Audited
Total income	14.69	15.66	15.73
Profit after tax*	0.43	(1.86)	(1.15)
Total managed assets	80	101	121
Gross stage 3	1.13%	2.66%	3.18%
Net stage 3	0.95%	2.28%	2.61%

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

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

**Any other information: None**

### Rating history for past three years

	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	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Mar 29, 2023			
1	<b>Nomius 03 2023</b>	PTC Series A1	9.82	9.82	<b>Provisional [ICRA]BBB(SO)</b>	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
<b>PTC Series A1</b>	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: [Click Here](#)

**Annexure I: Instrument details**

Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Nomius 03 2023	PTC Series A1	March 2023	12.40%	August 2026	9.82	Provisional [ICRA]BBB(SO)

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

**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.

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](http://www.icra.in)

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