

February 28, 2024

## SMFG India Credit Company Limited: Ratings reaffirmed for PTCs issued under a personal loan securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount O/s after Jan-24 Payout (Rs. crore)	Rating Action
PL PTC TRUST 01	Series A1 PTC	88.37	NA	38.72	[ICRA]AA+(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) are backed by a pool of personal loan receivables originated by SMFG India Credit Company Limited. The ratings reaffirmation considers the high amortisation in the transactions, which has led to a build-up of the credit enhancement cover over the future PTC payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pools till the January 2024 payout month.

### Pool performance summary

A summary of the performance of the pool till January 2024 payout month has been tabulated below.

Parameter	PL PTC TRUST 01
Months post securitisation	13
Pool Amortisation	53.46%
PTC Amortisation	56.19%
Cumulative collection efficiency <sup>1</sup>	97.30%
Loss-cum-30+ (% of initial pool principal) <sup>2</sup>	3.36%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	1.94%
Breakeven collection efficiency <sup>4</sup>	55.92%
Cumulative credit collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	27.41%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	10.95%
Cumulative prepayment rate <sup>5</sup>	17.69%

<sup>1</sup> Cumulative collections till date (including advance collections) / 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> POS at the time of prepayment of contracts prepaid till date / Initial pool principal

## Reset of credit enhancement

At the request of SMICC for resetting the credit enhancement, ICRA has analysed the transaction at a cash collateral (CC) of 12.50% of the balance pool principal (i.e. Rs. 5.71 crore) against the currently available CC of 27.41% of the balance pool principal (after January 2024 payouts). Based on the pool's performance, the rating will get reaffirmed after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

## Key rating drivers

### Credit strengths

- High amortisation of the PTC resulting in high credit enhancement build up for future PTC payouts.
- Healthy collection efficiency trend observed in the pool.

### Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could be affected by macro-economic shocks/business disruptions.

## Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of 97.3% till January 2024 payouts. Any shortfall in the collections has been absorbed by the EIS in the structure and there has been no CC utilisation in the transaction till the February 2024 payouts. Further, due to high amortisation of the pool, there has been a considerable build-up in the credit enhancement for the balance tenure of the PTC payouts. Hence, the credit enhancement available for meeting the balance payouts to the investors is sufficient for the transaction. Going forward, any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA's expectations. ICRA will continue to closely monitor the performance of the transaction. Also, the pool's performance would remain exposed to macroeconomic shocks/business disruptions, if any.

## 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 notes SMICC credit quality experience and ICRA's expectation of the credit quality for the asset classes involved. The company had witnessed a moderation in the asset quality at the portfolio level post the pandemic, resulting in the build-up of delinquencies. However, the recent originations (post June 2022) have demonstrated a healthy performance, but with a limited track record so far. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

After making these adjustments, the expected mean shortfall (% of initial pool principal) in principal collection during the tenure of the pool is estimated at 1.50-2.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 4.8-18.0% with a mean of 8.0% per annum.

## Liquidity position: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – The rating could be upgraded if the amortisation of the loan facilities leads to the build-up of the CE cover over future payments.

### Negative factors

The sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till January 2024 (payout month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

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 originator

SMFG India Credit Company Limited (SMICC) commenced its operations in January 2006 catering primarily to self-employed borrowers. While 74.9% of the company is held by SMFG, the balance is held by Angelica Investments and its nominees. The company had 725 branches in FY2023. SMICCs secured lending portfolio consists of mortgage loans to retail customers and small and medium enterprises (SMEs), commercial vehicle (CV) loans and secured rural loans such as two-wheeler loans, CV and mortgage loans. The unsecured portfolio comprises personal loans to salaried and self-employed individuals, and group and individual loans in the rural space.

In FY2023, SMICC reported a consolidated net profit of Rs. 710 crore on a total asset base of Rs. 40,904 crore compared to a net profit of Rs. 74 crore on total assets of Rs. 27,244 crore in FY2022. On a standalone basis, SMICC reported a net profit of Rs. 670 crore on a total asset base of Rs. 30,187 crore in FY2023 compared to a net profit of Rs. 58 crore on total assets of Rs. 20,941 crore in FY2022.

## Key financial indicators

Particulars	FY2022 (Audited)	FY2023 (Audited)	9M FY2024 (Audited)
Total income	3,590.8	5,027.8	5,172.7
Profit after tax	58.0	670.8	446.0
Total managed assets	20,941.0	30,186.8	34,458.9
Return on managed assets	0.2%	2.3%	1.3%
Managed gearing (times)	3.8	5.5	5.8
Gross stage 3	6.7%	3.8%	3.3%
CRAR	21.3%	18.8%	17.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 (FY2024)				Chronology of Rating History for the Past 3 Years			
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2021	Date & Rating in FY2020
				February 28, 2024	February 07, 2023	January 02, 2023	-	-
PL PTC TRUST 01	Series A1 PTC	88.37	38.72	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PL PTC TRUST 01	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	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
PL PTC TRUST 01	Series A1 PTC	Dec 2022	8.35%	October 2026	38.72	[ICRA]AA+(SO)

\*Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

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

Not applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 34670

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Anubhav Agarwal**

91 22 6114 3439

[anubhav.agrawal@icraindia.com](mailto:anubhav.agrawal@icraindia.com)

**Diptajyoti Banik**

+91 22 6114 3412

[diptajyoti.banik@icraindia.com](mailto:diptajyoti.banik@icraindia.com)

**Mrugesh Trivedi**

+91 22 6114 3436

[mrugesh.trivedi@icraindia.com](mailto:mrugesh.trivedi@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.