

February 27, 2025

SMFG India Credit Company Limited: Rating upgraded for PTCs backed by personal loan securitisation transaction

Summary of rating action

Trust name	Instrument*	Initial amount rated (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
PL PTC TRUST 01	Series A1 PTC	88.37	38.72	12.01	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)

*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 (SMICC /Originator; rated [ICRA]AAA(Stable)).

The rating has been upgraded on account of the healthy collections with moderate pool amortisation, which has led to a significant build-up of the credit enhancement cover over the future PTC payouts in the transaction. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the January 2025 payout month.

Pool performance summary

Parameter	PL PTC TRUST 01
Payout month	January 2025
Months post securitisation	25
Pool amortisation	84.1%
PTC amortisation: Series A1 PTC	86.4%
Cumulative collection efficiency ¹	95.0%
Loss-cum-30+ (% of initial pool principal) ²	4.8%
Loss-cum-90+ (% of initial pool principal) ³	4.4%
Cumulative prepayment rate	23.7%
Breakeven collection efficiency ⁴ for Series A1 PTC	1.5%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
Cash collateral (CC) available (as % of balance pool principal)	78.6%
Excess interest spread over balance tenure (as % of balance pool) for Series A1 PTC	7.8%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 PTC. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

³ POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

⁴ Breakeven collection efficiency = Balance PTC A1 cash flows + PTC A2 interest – Cash collateral available / Balance pool cash flows

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The ratings factor in the build-up of the credit enhancement as on December 2024 payout month, with the CC increasing to ~79% of the balance pool principal compared to 12.50% at time of securitisation for the transaction. Internal credit support is also available through scheduled EIS of ~8% and subordination for the transaction.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency of ~95% till Dec 2024 payout month. Further, there has been no instance of cash collateral utilisation for the pool till date owing to strong collection performance and presence of EIS.

Adequate servicing capability of the SMICC – SMICC has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated long track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

Risks associated with lending business – The pool’s performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class.

Key rating assumptions

ICRA’s cash flow modelling for rating securitisation 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 assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during their tenure at 2.50% of the initial pool principal 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. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	PL PTC TRUST 01
Originator	SMFG India Credit Company Limited
Servicer	SMFG India Credit Company Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	The Federal Bank Limited
Collection and payout account bank	The Federal Bank Limited

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 greater than 6 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

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 December 2024 (collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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. SMICC is wholly owned by SMFG. SMICC's 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, CV and mortgage. The unsecured portfolio comprises personal loans to salaried and self-employed individuals, and group and individual loans in the rural space.

SMFG India Credit Co. Ltd (Formerly Fullerton India Credit Company Ltd.) is a systemically important NBFC operating in India for more than 15 years. It is promoted by Sumitomo Mitsui Financial Group (SMFG), Japan holding 100% stake in SMICC. Sumitomo Mitsui Financial Group, Inc (SMFG) is the holding company of one of the largest global banking and financial service groups, offering commercial banking, leasing, securities and consumer finance, among others. SMFG's total assets stood at ~Rs. 162 trillion with a net profit of Rs. 449 billion as on March 31, 2024. SMFG has a legacy of four centuries in Japan.

Key financial indicators (audited; consolidated)

SMICC	FY2022	FY2023	FY2024
Total income	4,093	5,714	8,083
Profit after tax	74	710	670
Total assets	27,244	40,845	48,411
Gross stage 3	6.7%	3.2%	2.5%
CRAR ⁵	19.77%	21.33%	18.79%

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

⁵ Basis standalone SMICC data

Rating history for past three years

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022
				February 27, 2025	February 28, 2024	February 07, 2023	January 02, 2023	-
PL PTC TRUST 01	Series A1 PTC	88.37	12.01	[ICRA]AAA(SO)	[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 (p.a.p.m)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
PL PTC TRUST 01	Series A1 PTC	December 31, 2022	8.35%	October 15, 2026	12.01	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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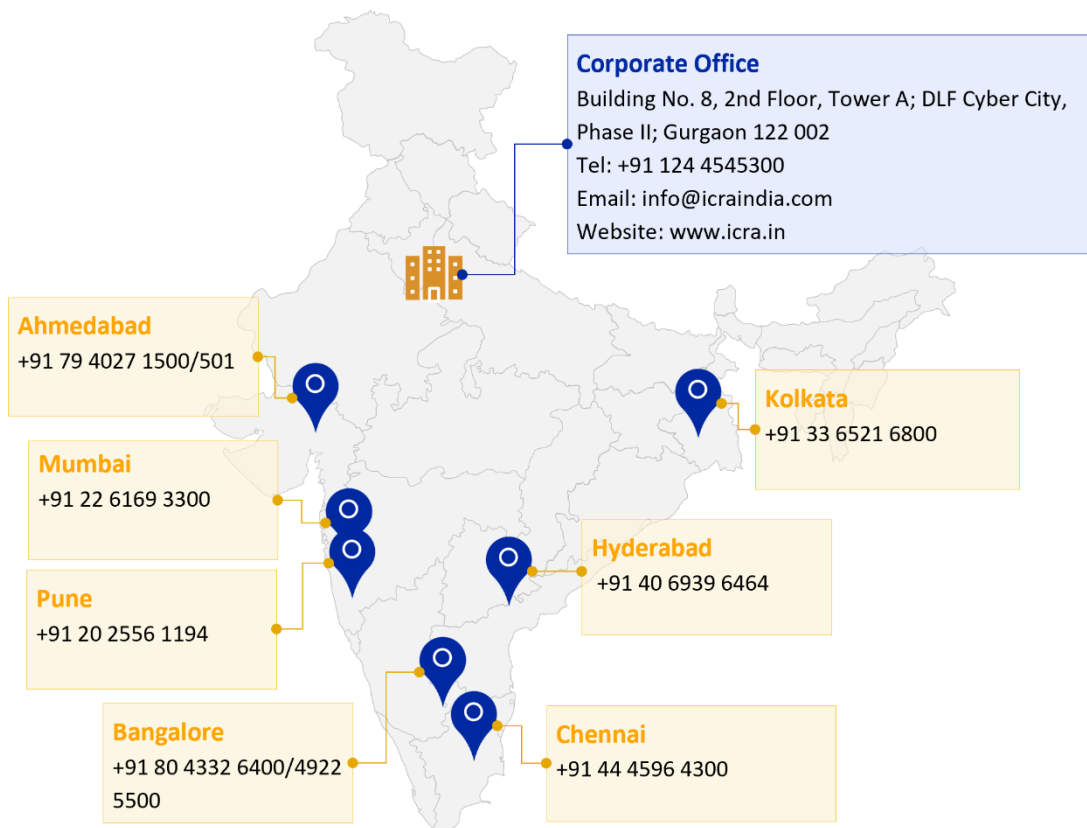
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