

ICRA Special Comments | Structured Finance

December 1, 2021

Impact of RBI's transfer of loans guidelines on structured debt instruments

ICRA has ratings outstanding on 17 structured debt transactions where the rated instrument (non-convertible debenture, market-linked debenture or term loan) has a credit-enhanced rating owing to the support available from a bankruptcy-remote pool of assets and credit enhancement in the form of overcollateralisation and cash collaterals (if available). The instruments have been issued by non-banking financial companies (NBFCs) and housing finance companies (HFCs).

Following the release of the Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 dated September 24, 2021, concerns had arisen on the continuance of the structural features specified for the existing transactions, most notably the assignment of the pool of loan receivables to a bankruptcy-remote trust. ICRA has since then held discussions with various market participants on the matter and has received legal opinions from the legal counsels of the said transactions. Basis the same, ICRA is of the view that the new directives of September 2021, issued by the Reserve Bank of India, should not have a bearing on the existing structured debt transactions rated by ICRA. Accordingly, the credit ratings assigned to the said transactions remain unchanged.

Exhibit 1: List of ratings outstanding on structured debt transactions rated by ICRA

Company Name	Instrument	Latest rationale link
Aye Finance (P) Limited	Rs 50 crore MLD	Link
CapFloat Financial Services Private Limited	Rs 10 crore NCD	Link
CreditAccess Grameen Limited	Rs 50 crore MLD	Link
CreditAccess Grameen Limited	Rs 100 crore MLD	Link
Ess Kay Fincorp Limited	Rs 150 crore NCD	Link
Ess Kay Fincorp Limited	Rs 50.9 crore MLD	Link
Ess Kay Fincorp Limited	Rs 125 crore MLD	Link
Five-Star Business Finance Limited	Rs 75 crore MLD	Link
Five-Star Business Finance Limited	Rs 50 crore MLD	Link
Five-Star Business Finance Limited	Rs 150 crore MLD	Link
India Shelter Finance Corporation Limited	Rs 50 crore MLD	Link
India Shelter Finance Corporation Limited	Rs 35 crore MLD	Link
Satin Creditcare Network Limited	Rs 40 crore term loan	Link
Vivriti Capital Private Limited	Rs 50 crore MLD	Link
Vivriti Capital Private Limited	Rs 50 crore MLD	Link
Vivriti Capital Private Limited	Rs 75 crore MLD	Link
Vivriti Capital Private Limited	Rs 75 crore NCD	Link

NCD: Non-Convertible Debenture; MLD: Market Linked Debenture

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