

# ABS Pools Rated by ICRA

## Report on Performance until September 2018

### Structured Ratings

### Finance

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## 1. Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated ABS transactions that were live between April 2018 and September 2018. In total, the performance of 194 transactions across 45 originators covering a wide variety of asset classes like commercial vehicle (CV), auto (Car), construction equipment (CE), tractor, two-wheeler, MSME, machinery loans, Loan against gold and micro loans is given.

For each transaction, the key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilisation are covered. The report also contains details of rating actions taken by ICRA (new ratings assigned, ratings upgraded, ratings downgraded and ratings reaffirmed) between 1<sup>st</sup> May 2018 and 30<sup>th</sup> October 2018.

ICRA has also analysed asset class-wise performance for its rated pools covering asset classes like CV, micro loan, and MSME loans. The analysis focuses on key parameters like cumulative collection, monthly collection and quarterly collection trends. Delinquency trends and credit enhancement utilisation trends have also been captured as part of the analysis.

The key takeaways from the analysis are presented below:

### **Commercial vehicles**

- Among recent vintages, pools originated in CY2013 and CY2014 have shown weaker collection performance compared with that of CY2012 and CY2011 originated pools at similar points post securitisation. The performance of pools in of CY2018 thus far has been robust.
- The monthly collection efficiencies have remained stable post GST rollout and have also not shown any adverse effect of the fuel price hike that happened between April 2018 and September 2018. Collection efficiencies were at 96% on an average between April 2018 and September 2018.
- Owing to strong collection performance, the peak cash collateral utilisation in any live pool has not exceeded 1.45% of the initial credit collateral and has been higher than 1% in only 3 live pools.
- The credit enhancement cover for all the pools is commensurate with the ratings outstanding on these pools. The difference between the break even collection efficiencies and actual observed collection efficiencies remains comfortable for all pools. The delinquencies have increased in both MHCV and LCV segment between March 2018 and September 2018, however, they remain at low levels and comparable to September 2017 levels
- In the rated pools, a cut wise analysis based on LTV buckets does not reveal any clear trend. However, in the interest rates and tenure based analysis, higher delinquencies are witnessed in contracts with higher initial tenure and lending rates.
- Geographically, amongst states having a fair share of principal outstanding, the states of Uttar Pradesh and Karnataka are performing weaker.

### **Micro Loan Pools**

- The cumulative collection efficiency of the CY 2016 vintage pools had seen a downward trend driven by the deterioration in pool performance post demonetisation. Recovery has been sluggish in these pools. The performance of pools rated in CY 2017 and CY 2018, however, has been robust with collection efficiencies of more than 99% which is an encouraging trend.
- Also, fresh slippages from 'current' contracts have significantly slowed down and are near negligible
- Some pools where collections had got severely impacted post demonetisation did not show any improvement in collections leading to rating downgrades in those pools

### **Small Business Loan Pools**

- ICRA rated MSME pools continue to demonstrate strong performance.
- The loss cum 30+ dpd which had spiked to above 10% of the initial pool principal amount post demonetisation has stabilised around 5% as of September 2018.

### **Tractor Loan Pools**

- Collection efficiencies in tractor loan pools are observed to be more volatile compared to pools of other asset classes mainly because of the cyclical earning pattern of tractor borrowers. The monthly collection efficiencies have ranged between 80% to 115% but on average have remained 97% between September 2016 and September 2018.

The report also provides a comprehensive User Guide enlisting key terms and metrics used by ICRA for rating and monitoring the performance of ABS transactions. The section titled "Key Performance Indicators of ABS Transactions" features a discussion on the various important indicators monitored by ICRA.

**In all, ICRA has rated more than 847 Asset Backed Securitisation (ABS)<sup>1</sup> transactions till date, with the rated amounts aggregating to around Rs. 1,25,300 crore<sup>2</sup>.**

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<sup>1</sup> For the purpose of this report, "ABS" includes bilateral assignment of pool of non-mortgage retail loans, on a rated basis

<sup>2</sup> Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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### Pool-wise performance of all live ICRA-rated ABS transactions

- 194 transactions across 45 Originators, live between April 2018 and September 2018
- Asset classes including Commercial Vehicle (CV), Auto (Car), Construction Equipment (CE), Tractor, Two Wheeler, SME, MSME, Machinery Loans, Loan against Gold and Micro loans
- For each transaction, all key performance parameters including cumulative collection efficiency, static and dynamic delinquency profile, prepayment rate and credit enhancement utilization covered (sample format annexed)

### As well as...

- List of rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between 1<sup>st</sup> May 2018 and 30<sup>th</sup> October 2018 are also summarised.
- Comprehensive User's Guide enlisting key terms/ metrics used by ICRA for rating and monitoring performance of ABS transactions, with a brief description of how these metrics are computed and should be interpreted by the users of this report

### Summary analysis - Commercial Vehicle Loan Pools

- Analysis of the key performance indicators pertaining to all (191) ICRA-rated CV loan pools that were securitised in the period Calendar Year CY2007 – CY2018; pools grouped into various annual cohorts (based on the year in which these pools were securitised). Analysis covers -
  - Median cumulative collection, monthly collection, delinquency and prepayment, discussion on trends seen in recent months and seasonal pattern in collections
  - Median credit enhancement utilisation and cash collateral utilization, peak cash collateral utilisation analysis, analysis of credit enhancement cover (ratio of total credit enhancement to the principal outstanding against 90+ dpd contracts) and analysis of breakeven collection efficiency
- Analysis of the contracts that were in 90+ and 180+ delinquency buckets as on September 2018, out of a total set of 1.8 lakh CV loans contracts rated by ICRA, totalling to Rs. 7,300 crore originated by nine CV financiers between August 2012 and September 2018. Analysis covers -
  - Asset class-wise delinquency trend as on Mar-18 [New and Used Medium and Heavy Commercial Vehicles (MHCVs) and Light Commercial Vehicles (LCVs)]
  - State-wise delinquency trend for CVs
  - Performance of CV loans based on seasoning at the time of securitization

### Summary analysis - Micro Loan Pools

- Analysis of key performance indicators pertaining to all (378) Micro loan pools securitised since January 2011 and whose commencement date<sup>3</sup> was prior to September 2018; pools grouped into various annual cohorts (based on the year in which these pools were securitised). Analysis covers -
  - Average cumulative and monthly collection and delinquency trends in micro loan transactions
  - Analysis of cash collateral build up vis- a-vis senior PTC amortisation in these pools
  - Rating transition for different instruments (based on seniority)
  - Prepayment trends in these pools

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<sup>3</sup> Commencement Date- The date from which the pool receivables have been transferred

### **Summary analysis – Small Business Loan Pools**

- Analysis of the key performance indicators pertaining to 41 Small Business loan pools that were securitised in CY2012 - CY2018. For this analysis, ICRA has clubbed these pools together. This analysis covers the following-
  - Delinquency trends across pools
  - Collection and Delinquency trends post demonetisation

### **Summary analysis – Tractor Loan Pools**

- Analysis of the key performance indicators pertaining to 19 Tractor loan pools that were securitised in September 2014 and September 2018. For this analysis, ICRA has clubbed these pools together. This analysis covers the following-
  - Delinquency trends across pools
  - Collection and delinquency movement post demonetisation

## Sample Report Format

Issue Name	:	[(Originator) (Asset Class) D.A. (MMMM-YY)] / (Name of SPV)		
Trustee	:	Trustee Name		
Commencement Month	:	MMM-YY	Asset Composition	
Monthly Payout Date	:		Asset class	
Structure / Staggering	:		Share of asset class	

## Details of Rated Instruments

Rated Instrument	Principal (Rs. Cr.)		Rating		Amortization %	Initial Tenure (Months)	Balance Tenure (Months)
	Initial	Present	Initial	Present			

## Initial Pool Details (as on pool cutoff date)

	Asset-4	Asset-3	Asset-2	Asset-1	Total
Pool Principal (Rs. Cr.)					
Pool Cashflows (Rs. Cr.)					
Tenure (Months)					
Avg Seasoning (Months)					
Avg Loan to Value					
Number of Contracts					
Overdue Profile- Share of Current Contracts					
Share of Overdue Contracts					

## Initial Credit Enhancement Details (as % of purchaser payouts / PTC Payouts)

Cash Collateral		Excess Interest Spread	
First Loss Piece			
Second Loss Piece			

## Performance of Pool till MMM-YY ( Months Post securitization, Pool Amortization)

	Asset-4	Asset-3	Asset-2	Asset-1	Total
<b>Collection Performance Analysis</b>					
Cumulative Collection Efficiency					
Rolling Quarterly Collection Efficiency					
Cumulative Collection/ Cumulative PTCs Payouts					
<b>Prepayment Analysis</b>					
Average Monthly Prepayment Rate					
Cumulative Prepayment Rate					
<b>Loss and Delinquency Analysis</b>					
Loss cum 90+ dpd (% of Initial Pool Size)					
Loss cum 180+ dpd (% of Initial Pool Size)					
Peak Loss cum 90+dpd					
Peak loss cum 180+dpd					
Cumulative Loss					

Credit Enhancement Details	
Cumulative Credit Enhancement Utilisation	
Cumulative Cash Collateral Utilisation	
First Loss Piece Utilisation	
Second Loss Piece Utilisation	
Peak Cash Collateral Utilisation	

### Static Delinquency Profile

	Month-1	Month-2	Month-3	Month-4
Loss cum 30+ dpd (% of Initial Pool Size)				
Loss cum 90+ dpd (% of Initial Pool Size)				
Loss cum 180+ dpd (% of Initial Pool Size)				

### Dynamic Delinquency Profile

	Current	1-30	31-90	91-180	>180
As % of Balance Pool Principal Outstanding Month-1					
As % of Balance Pool Principal Outstanding Month-2					
As % of Balance Pool Principal Outstanding Month-3					
As % of Balance Pool Principal Outstanding Month-4					

### Details of Balance Pool

	Asset-4	Asset-3	Asset-2	Asset-1	Total
Pool Principal Outstanding (Rs. Cr)					
Pool Cashflows Outstanding (Rs. Cr)					
Balance Pool Tenure (Months)					
90+ dpd (% of balance Pool Principal)					
180+ dpd (% of balance Pool Principal)					

### Availability of Credit Enhancement (as % of Balance Purchaser payouts / PTC Payouts)

Principal Subordination		Excess Interest Spread	
Break-even Collection Efficiency (% of Pool Cashflow)		Cash Collateral	
Credit Enhancement to 90+dpd POS (times)		First Loss Piece	
Coverage Ratio (times)		Second Loss Piece	

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