



## Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated ABS transactions that were live between October 2020 and March 2021.<sup>1</sup> In total, the performance of 207 transactions across 59 originators covering a wide variety of asset classes like commercial vehicle (CV), auto (Car), construction equipment (CE), tractor, two-wheeler, Micro Small & Medium Enterprise (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 November 1, 2020 and May 31, 2021.

ICRA has also analysed asset class-wise performance for its rated pools covering asset classes like CV loans, micro loans 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 a part of the analysis.

### The key takeaways from the analysis are presented below:

#### Commercial vehicles

- In the first few months of the pandemic, cumulative collection efficiency dropped for live pools due to the impact of the moratorium on loan repayment provided for the period from March 2020 to August 2020. The impact is more profound in newer pools originated in CY2020 as the impact of the pandemic caused the disruption in these pools in the first few months itself.
- In September 2020, as the originators reverted to the original billing schedules, collection efficiency percentages were lower than 90%. This was because though billing was increased, there wasn't a commensurate increase in collections. However, throughout H2 FY2021, collections improved sequentially and reached pre-Covid levels by January 2021.
- Though collections declined in the period March – August 2020, the lenders did not report a shift in the delinquency buckets as per the Reserve Bank of India's (RBI) guidelines. Due to this, delinquencies remained largely stable. From September, post the end of the moratorium, lenders started witnessing a spike in the delinquency and impact in 90+ bucket was seen in December 2020. However, the delinquencies again reduced by the end of FY2021 due to improved collections.
- The utilisation of cash collateral (CC) was lower during the moratorium period as most investors provided the moratorium on PTC pay-outs and also suspended CC utilisation during this period. CC utilisation was seen in some pools from the October 2020 pay-out, post the end of the moratorium. With uptick in collection efficiencies in Q4 FY2021, most of the transactions witnessed complete CC replenishment.

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<sup>1</sup> The current report provides updates till Mar-21 collection month. For summary of collection trends post Mar-21, please refer to ICRA's note at this [Link](#)

### Micro Loan Pools

- As MFI operations came to a grinding halt in April 2020, collection efficiencies were close to nil in most of the transactions. However, as lockdown was gradually lifted across parts of the country, the microfinance entities were able to restart their collection activities. Collections reached close to 100% by the end of FY2021.
- An increase in delinquencies was witnessed in the softer buckets in September 2020 which was the first month, post the moratorium. The impact on the harder bucket was seen in December 2020 with 90+ dpd at ~3.5% for ICRA-rated pools. With improved collections during Q4 FY2021, 90+dpd moderated to ~2.5% as on end March 2021.

### Small Business Loan Pools

- As in the case of other asset classes, pools in the MSME segment witnessed a decline in the first couple of months of FY2021. This was followed with an improvement from June 2020 onwards. Post the end of the moratorium period, in September 2020, average collections for ICRA-rated MSME pools were at 84%. Till February 2021, average collections improved and ranged between 88% to 91%. In March 2021 this improved significantly to ~100%.
- Post the end of the moratorium period, the delinquencies spiked from September 2020. In December 2020, 90+dpd for ICRA-rated pools was ~3.5%, which reduced to 2.5% in March 2021.

In FY2021 (April 2020 to March 2021), ratings for four ICRA-rated ABS pools were downgraded. For the first two transactions, downgrade (in June 2020) was for lack of investor moratorium on the PTC pay-outs which led to high CC utilisation during the moratorium period. Post moratorium, collection efficiencies improved in these pools, which led to significant CC replenishment. Rating for PTCs under these two transactions was upgraded back to the initial rating in March 2021. For the third transaction, downgrade (in October 2020) was on account of defaults and fraud by one of the entities in a multi-originator transaction. In the fourth transaction, junior tranche of a multi-originator transaction was downgraded (in November 2020) due to higher concerns as one entity defaulted on its on-balance sheet debt.

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 1,087 Asset- Backed Securitisation (ABS)<sup>2</sup> transactions till date, with the rated amounts aggregating to around Rs. 1,59,950 crore<sup>3</sup>.**

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<sup>2</sup> For the purpose of this report, “ABS” includes bilateral assignment of pool of non-mortgage retail loans, on a rated basis

<sup>3</sup> Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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

- 207 transactions across 59 Originators, live between October 2020 and March 2021
- 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 November 1, 2020 and May 31, 2021 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 ICRA-rated CV loan pools that were securitised in the period Calendar Year CY2012 – CY2020; 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

### Summary analysis - Micro Loan Pools

- Analysis of key performance indicators pertaining to Micro loan pools securitised since January 2011 and whose commencement date<sup>4</sup> was prior to March 2021; 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

### Summary analysis – Small Business Loan Pools

- Analysis of the key performance indicators pertaining to Small Business loan pools that were securitised in CY2012 - CY2020. For this analysis, ICRA has clubbed these pools together. This analysis covers the following-
  - Delinquency trends across pools
  - Month on Month Collection collection efficiencies from September 2020 to March 2021

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<sup>4</sup> Commencement Date- The date from which the pool receivables have been transferred

## Sample Report Format

**Originator Name : XYZ Limited.**

**Issue Name : [(Originator) (Asset Class) D.A. (MMM-YY)] / (Name of SPV)**

**Asset Composition**

Trustee / Purchaser Representative: ABC Trust Ltd.

Asset Class

Commencement Month: MMM YY

Asset Share

### Initial Pool Details

Transaction Structure	Purchaser Payouts Principal (Rs. Cr.)
Staggering	Pool Principal (Rs. Cr.)
<b>Credit Enh. (% of Purchaser Payouts )</b>	Pool Cashflow (Rs. Cr.)
Cash Collateral	No of Contracts
Excess Interest Spread	Tenure (months)
Subordination	Average Loan To Value

### Pool Performance till: Month Year

Months Post- Securitisation	Prepayment Analysis
Cumulative Collection Efficiency	Avg. Monthly Prepayment Rate
Cumulative Collection / Cumulative Purchaser Payouts	Cumulative Prepayment
<b>Cumulative Credit Enhancement Utilisation</b>	Loss cum Delinquency
Cumulative Cash Collateral Utilisation	90+ dpd (% of Initial Pool Size)
	180+dpd (% of Initial Pool Size)

### Details of Remaining Pool

Purchaser Payouts Principal O/s (Rs. Cr.)	Pool Principal O/s (Rs. Cr.)
<b>Cr. Enh. (% of Purchaser Payouts O/s )</b>	Balance Tenure (months)
Cash Collateral	90+dpd (% of Balance Pool Size)
Excess Interest Spread	180+dpd (%of Balance Pool Size)
Subordination	Break-even Collection Efficiency

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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) and [www.icraresearch.in](http://www.icraresearch.in)

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