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CREDIT RATING

ABS Pools Rated by ICRA

June 2023

Report on Performance until March 2023

Structured Finance Ratings

Abhishek Dafria
Senior Vice President
91 22 6114 3440
abhishek.dafria@icraindia.com

Sachin Joglekar
Vice President
91 22 6114 3470
sachin.joglekar@icraindia.com

Gaurav Mashalkar
Assistant Vice President
91 22 6114 3431
gaurav.mashalkar@icraindia.com

Himanshi Doshi
Assistant Vice President
91 22 6114 3410
himanshi.doshi@icraindia.com

Shruti Jain
Associate Analyst
91 22 6114 3472
shruti.jain@icraindia.com

ICRA RESEARCH SERVICES

Executive Summary

This report provides a pool-wise summary of the performance of all ICRA-rated ABS transactions that were live between November 2022 and April 2023. In total, the performance of 273 transactions across 49 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 discussed.

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, 2022 and April 30, 2023.

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

- Over the years, ICRA-rated CV pools have historically exhibited collection performance well above the breakeven collections required to ensure no default to the investor through various cycles and macro events such as lockdown led by pandemic, demonetisation and GST implementation.
- The collection efficiency showed stronger performance for last 6-8 quarters due to stable macro-economic conditions. Earlier it was observed that the collection efficiencies for CV pools were impacted in H1 FY2021 due to the nationwide lockdown, following the spread of the pandemic. Post moratorium, the collection efficiencies substantially improved in Q4 FY2021, and were in line with the pre-Covid levels. However, as the second wave hit the country, collections declined again though the impact was lower due to less stringent lockdowns. In ICRA-rated CV transactions, the collection efficiency fell to around 87% in May 2021 and bounced back to above 100% since July 2021.
- Rising interest rates were expected to put pressure on vehicle viability; however, ICRA rated pools have shown stable performance.

Micro Loan Pools

- The microfinance industry has shown resilience to bounce back to normalcy post various setbacks like the Andhra Pradesh regulation in 2011, demonetisation in 2016, various regional political issues, natural calamities, Assam regulation in 2020 and the latest major setback being the pandemic and the resultant slowdown in economic activity.
- The delinquencies in the ICRA-rated micro loan pools remained low. Delinquencies had increased sharply post the second wave of the pandemic in Q1FY22 on account of the dip in collections. The dip in collections led to an increase in 0+ and 30+ delinquencies however the roll forward to 90+ was lower.

Small Business Loan Pools

- The ICRA rated MSME pools continue to report steady performance on back of the uptick in macro economic conditions. MSME pools, like other asset classes, had witnessed a decline in collections in months post the end of moratorium in August 2020 and again in the second wave, albeit the decline was less intense. In the period between these two waves, i.e. during Q4 FY2021, collections had reached pre-Covid levels.

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 1,363 Asset-Backed Securitisation (ABS)¹ transactions till date, with the rated amounts aggregating to around Rs. 1,85,700 crore².

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

² Rs. 1 crore = Rs. 10 million = Rs. 100 lakh

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

- 226 transactions across 46 originators, live between November 2022 and April 2023
- Asset classes, including commercial vehicles (CV), auto (Car), construction equipment (CE), tractor, two-wheelers, SMEs, MSMEs, 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 utilisation, covered (sample format annexed)

in addition to ...

- A list of rating actions (new ratings assigned/ rating upgrades/ rating downgrades and rating reaffirmations) taken by ICRA between November 1, 2022 and April 30, 2023 are also summarised
- A comprehensive User Guide enlisting key terms/metrics used by ICRA for the 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 calendar year CY2014 – Q1 CY2023; pools grouped into various annual cohorts (based on the year in which these pools were securitised). analysis covers -
 - Median cumulative collections, monthly collections, delinquency and prepayment, discussion on trends seen in recent months and seasonal pattern in collections
 - Median credit enhancement utilisation and cash collateral utilisation, 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 break-even collection efficiency

Summary analysis - Micro Loan Pools

- Analysis of key performance indicators pertaining to micro loan pools securitised since January 2012 and whose commencement date³ was prior to March 2023; 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 during the period CY2012 – Q1 CY2023. For this analysis, ICRA has clubbed these pools together. This analysis covers the Delinquency trends across pools.

³ 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)

Trustee / Purchaser Representative: ABC Trust Ltd.

Commencement Month: MMM YY

Asset Composition

Asset Class

Asset Share

Initial Pool Details

Transaction Structure	Purchaser Payouts Principal (Rs. Cr.)
Staggering	Pool Principal (Rs. Cr.)
Credit Enh. (% of Purchaser Payouts)	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
Cumulative Credit Enhancement Utilisation	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.)
Cr. Enh. (% of Purchaser Payouts O/s)	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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RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

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

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 and www.icraresearch.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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