

December 2017

CRISIL Performance Report

ABS & MBS Pools



CRISIL Performance Report

Structured Finance Ratings

Krishnan Sitaraman

Senior Director

Tel: +91 22 3342 8070

Email: kishnan.sitaraman@crisil.com

Rohit Inamdar

Senior Director

Tel: +91 124 672 2200

Email: rohit.inamdar@crisil.com

Divya Chandran K

Associate Director

Tel: +91 22 3342 3135

Email: divya.chandran@crisil.com

Shruti Bodhankar

Manager

Tel: +91 22 3342 3156

Email: shruti.bodhankar@crisil.com

Apurva Sharma

Senior Rating Analyst

Tel: +91 22 3342 3528

Email: apurva.sharma@crisil.com

Deepanshu Singla

Rating Analyst

Tel: +91 22 3342 3402

Email: deepanshu.singla@crisil.com

Shanu Kumar

Rating Analyst

Tel: +91 22 4254 4153

Email: shanu.kumar@crisil.com

Thara Varghese

Rating Analyst

Tel: +91 22 3342 3447

Email: thara.varghese@crisil.com

Hitesh Lingwal

CCAP Associate

Tel: +91 22 33423039

Email: hitesh.lingwal@crisil.com

Vikram Raj Iyer

CCAP Associate

Tel: +91 22 33423252

Email: vikram.iyer@crisil.com

Business Development

Atal Agarwal

Senior Director

Tel: +91 22 4097 8052

Email: atal.agarwal@crisil.com

Rohit Chugh

Director

Tel: +91 124 672 2117

Email: rohit.chugh@crisil.com

Anand Agarwal

Director

Tel: +91 124 672 2118

Email: anand.agarwal@crisil.com

Viral Malia

Director

Tel: +91 22 3342 3497

Email: viral.malia@crisil.com

Dolly Parmar

Associate Director

Email: dolly.parmar@crisil.com

Hemant J Bilay

Associate Director

Email: hemant.bilay@crisil.com

Jasmine Arish Chaney

Associate Director

Email: jasmine.chaney@crisil.com

Kruti Kaushik Rawal

Associate Director

Email: kruti.rawal@crisil.com

Ruchita Pandya

Associate Director

Email: ruchita.pandya@crisil.com

Bhawmik Mehta

Associate Director

Email: bhawmik.mehta@crisil.com

Arihant A Dudhodia

Associate Director

Email: arihant.dudhodia@crisil.com

Rakesh Kumar Seal

Senior Business Development Manager

Email: rakesh.seal@crisil.com

Hoshil Thapar

Senior Business Development Manager

Email: hoshil.thapar@crisil.com

Abhishek Tandon

Business Development Manager

Email: abhishek.tandon@crisil.com

Rupali Pipil

Business Development Officer/Retainer

Email: rupali.pipil@crisil.com

Pankaj Sharma

Regional Manager

Email: pankaj.sharma@crisil.com

Pallavi Mitra

Regional Manager

Email: pallavi.mittra@crisil.com

Subhasree Mitra

Regional Manager

Email: subhasree.mitra@crisil.com

Sunanda Agarwal

Regional Manager

Email: sunanda.agarwal@crisil.com

Sanyukta Nagesh Bandekar

Regional Manager

Email: sanyukta.bandekar@crisil.com

Amit Khare

Regional Manager

Email: amit.khare@crisil.com

Reema Doshi

Regional Manager

Email: reema.doshi@crisil.com

Bharadwaja Panchagnula

Regional Manager

Email: bharadwaja.panchagnula@crisil.com

V Rajesh N Rao

Regional Manager

Email: rajesh.rao@crisil.com

Index		
Sr. no	Contents	Page no
1	Review of CRISIL-rated ABS and MBS pools	04
2	Rating Actions	11
3	Commercial Mortgage-backed Securities (CMBS) Ratings	16
4	Glossary of Terms Used	17
5	ABS Pools (Initial Pool Details & Pool Performance, as of September 2017 payouts)	20
6	MBS Pools (Initial Pool Details & Pool Performance, as of September 2017 payouts)	45
7	CRISIL Rating Scales	57

CRISIL Performance Report

List of ABS originators covered in this publication		
Sr. no	Originator Name	Page no
1	Cholamandalam Investment & Finance Company Limited	22
2	Equitas Small Finance Bank Limited	23
3	ESAF Microfinance and Investments Private Limited	25
4	HDB Financial Services Limited	26
5	Home Credit India Finance Private Limited	27
6	Janalakshmi Financial Services Limited	28
7	Magma Fincorp Limited	30
8	Magma ITL Finance Limited	32
9	Mahindra & Mahindra Financial Services Limited	33
10	Multi Originator	34
11	Muthoot Capital Services Limited	35
12	Muthoot Microfin Limited	36
13	Shriram Transport Finance Company Limited	38
14	SREI Equipment Finance Limited	42
15	Tata Motors Finance Limited	43
16	Ujjivan Financial Services Limited	44
List of MBS originators covered in this publication		
Sr. no	Name of originator	Page no
1	Dewan Housing Finance Corporation Limited	47
2	Housing Development Finance Corporation Limited	48
4	ICICI Bank Limited	49
3	Indiabulls Housing Finance Limited	51
5	Reliance Capital Limited	53
6	Reliance Home Finance Private Limited	54
7	Standard Chartered Bank	55
8	Sundaram BNP Paribas Home Finance Limited	56

DISCLAIMER

The ratings/credit opinions are not a recommendation to purchase, sell or hold the payouts/facilities in as much as the opinions do not comment on the market price of the payouts/facilities or its suitability for a particular investor. CRISIL reserves the right to suspend, withdraw or revise the credit opinions assigned to the payouts/facilities at any time on the basis of new information, or unavailability of information or other circumstances, which CRISIL believes, may have an impact on the opinions.

The performance update presented in this publication is based on payouts made till September 2017. The ratings/credit opinions mentioned in this publication are outstanding as on December 31, 2017.

CRISIL has taken due care and caution in preparing this report. Information has been obtained by CRISIL from sources which considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of any information, and is not responsible for any errors in transmission, and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of this report.

No part of this report may be reproduced in any form or any means without permission of the publisher.

Contents may be used by news media with due credit to CRISIL.

© CRISIL. All rights reserved.

CRISIL COMPLEXITY LEVELS

CRISIL assigns complexity levels to various types of financial instruments on a voluntary basis. This is a pro-bono exercise aimed at strengthening Indian capital markets through greater transparency. CRISIL Complexity Levels reflect the ease of understanding and analysing the risk elements in these instruments and allow investors to gauge the level of sophistication and due diligence required before investing in any financial product. Instruments are classified into three categories: simple, complex, and highly complex. This is done using four parameters: ease of calculation of payout and returns, clarity on timing of cash flows, number of counterparties involved in the transaction, and familiarity of market participants with the instrument. Complexity is distinct from risk: saying that an instrument is simple is not to say that it is less risky, but the risk will be easier to understand in a simple instrument than in a complex one. Accordingly, the complexity level applicable to PTC instrument / direct assignment indicated in the above report is 'Highly Complex'.

Investors can refer to <http://crisil.com/ratings/crisil-complexity-levels-of-financial-instruments.html> for more details and a comprehensive list of CRISIL Complexity Levels or call the Customer Service Helpdesk Toll free number: 1800 267 1301.

Review of CRISIL-rated securitisation transactions

Executive Summary

CRISIL has analysed the collection performance of 75 asset-backed securities (ABS), 38 mortgage backed securities (MBS) and 2 commercial mortgage backed securities (CMBS), across 24 originators in the securitisation market. The ABS transactions are backed by commercial vehicle loans (CV), car loans, tractor loans, construction equipment (CE) loans, loans extended to small & medium enterprises (SME), two wheeler loans (TW), microfinance (MFI) loans, home loans (HL) and loans against property (LAP). Key observations as after September 2017 payouts are as below:

- **Stable monthly collection ratio of commercial vehicle pools. Recent vintages show better performance**

Monthly collection ratio (MCR) of CRISIL-rated CV pools remained stable during the quarter ended September 2017 in spite of the rolling out of Goods and Services Tax (GST) early in the quarter. The median collection ratio was in the range of 96-97%. Performance of 2017 vintage pools is superior compared to pools of other vintages. 3 month average collection efficiency posted by 2017 vintage pools is in the range of 95-98% compared to 90-96% and 93-96% for 2015 and 2016 vintage respectively.

- **Collection ratio of microfinance pools stabilizing at a new normal.**

With the exception of a few originators, collection ratio of CRISIL-rated microfinance pools with limited exposure to vulnerable states of Uttar Pradesh, Maharashtra, Madhya Pradesh and Karnataka is stabilizing in the range of 96% to 98%. Pools originated by certain MFIs continued to be under severe collection stress and subsequently defaulted in meeting investor payouts.

- **Prepayments in mortgage pools on a uptrend following bank base rate reductions**

With decline in interest rates and growing balance transfers, the prepayments in mortgage pools continued their uptrend. Overall collection performance of mortgage pools remain stable.

- **Other asset-backed pools exhibit stable performance**

Collections across other pools backed by receivables from asset classes such as SME, cars, CE, two wheelers and tractors remain stable in the range of 97-98%.

- **CMBS transactions continue to enjoy healthy interest coverage ratio**

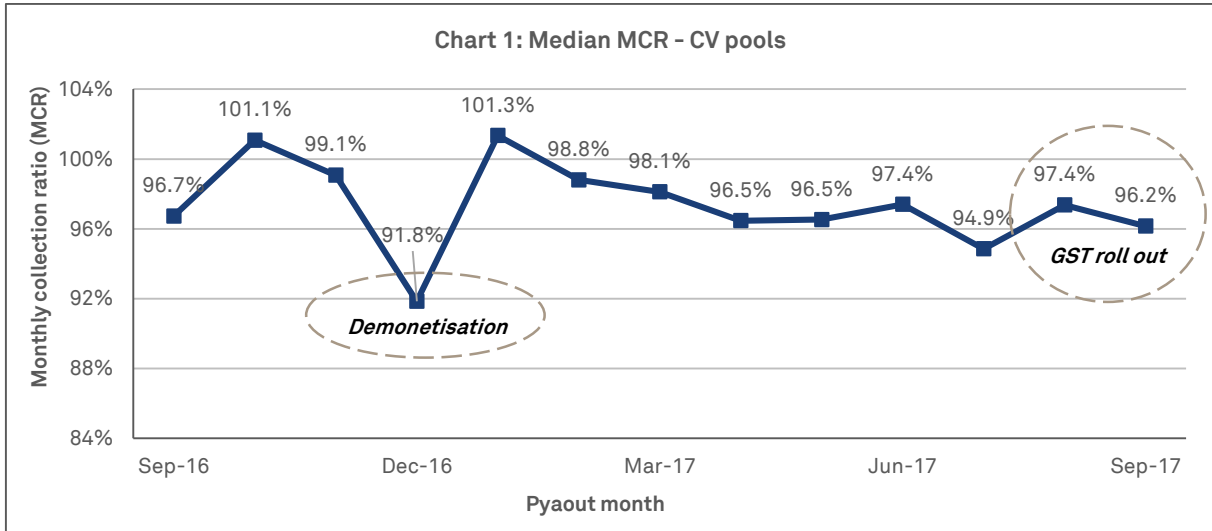
For the two CMBS pools, DLF Emporio Limited and DLF Promenade Limited, CRISIL has received payout confirmations as of September 2017. The operating earnings before interest, depreciation, tax and amortization for both the transactions provide adequate cover to the rating category.

So far (till December 31, 2017) in fiscal 2018, CRISIL has upgraded ratings on 32 instruments issued under securitisation transactions due to improving credit collateral cover on account robust collection performance and pool amortization. Ratings on 11 instruments backed by microfinance loan receivables have been either downgraded and/or placed on watch because of weak asset quality. Ratings on 15 instruments under 9 securitisation transactions that were earlier placed on negative watch (in March/June 2017) were removed from the watch due to no further deterioration in their performance and significant amortization resulting in improved cover for future investor payouts. Ratings on 4 instruments backed by microfinance loan receivables were downgraded to CRISIL D (SO) as collection from underlying contracts along with the credit enhancement was insufficient to meet investor payouts on due date.

Commercial Vehicles (CV)

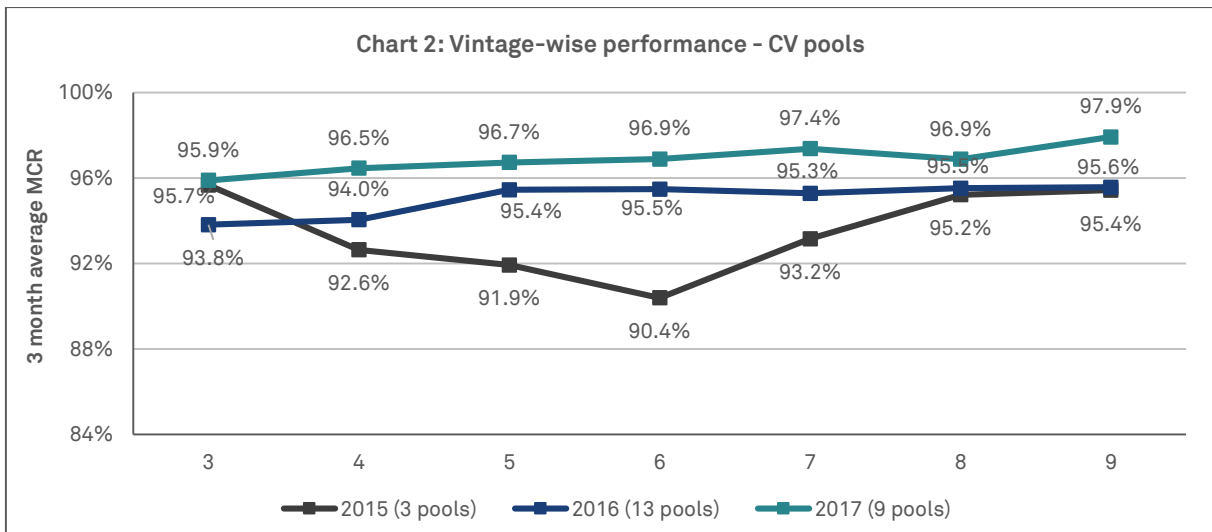
Minimal impact on performance due to GST roll out

Roll out of GST in July 2017 resulted in a transient dip in performance in the month of June (median MCR of 94.9%) that resulted from destocking and disrupted stock movement in anticipation of GST roll out. The collection performance of pools backed by CVs remained largely stable. As the stock movement normalized post-July 2017, the collection ratios rebounded and remained firmly above 96% in the subsequent months



Performance of 2017 vintage pools superior to that of the pools of earlier vintages

Vintage analysis of CRISIL-rated CV pools reveals the consistently better collection performance of pools rated in 2017 compared to pools of earlier vintages. CRISIL-rated securitisation transactions pertaining to 2015 and 2016 vintages were backed by pools with larger proportion of used assets, greater share of overdue contracts at the time of securitisation and non-priority sector loans. Whereas 2017 vintage pools have higher proportion of new assets and lower proportion of overdue contracts at the time of securitisation. These distinct characteristics in 2017 vintage has resulted in the superior performance of the pools.



CRISIL Performance Report

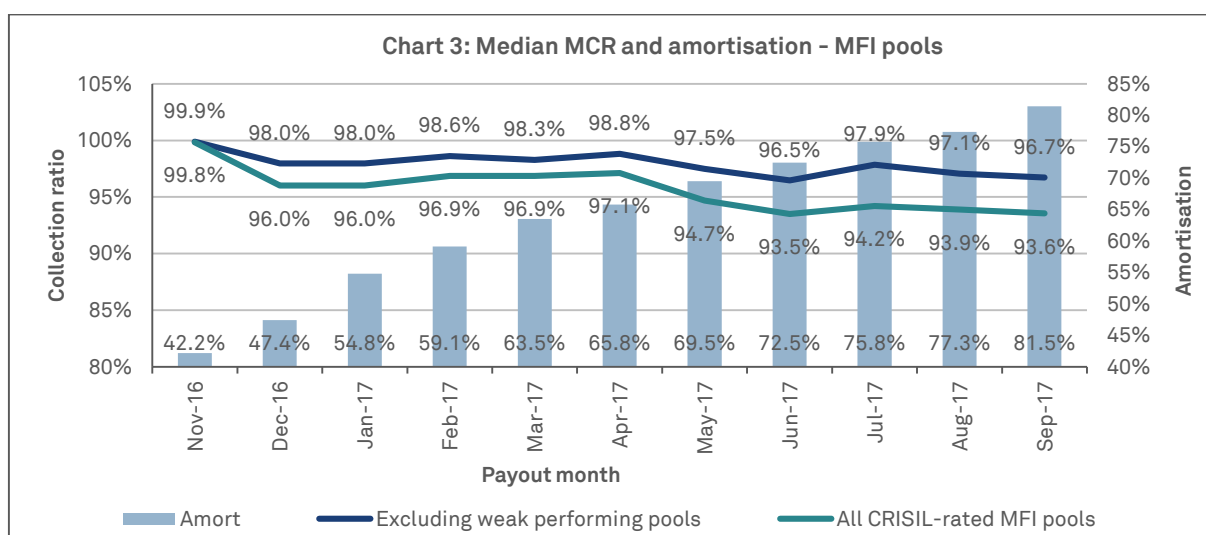
CRISIL has also analysed the overdue pattern for the pools on which rating was withdrawn during the half year ended September 2017. The observed median peak overdues was around 4.5% and final median overdues was around 2.8%, indicating some recovery of overdues from their peak levels by the end of loan tenure. Observed recoveries were in the range of 15% to-60% for the matured pools. Given the low level of ODs by the end of PTC tenure, the available credit enhancement for these pools remained unutilized by the end of their PTC tenure.

Microfinance

Collection ratio at new normal even as performance of certain pools continue to lag

CRISIL-rated microfinance pools (excluding weak performing pools) had a median MCR of 96.7% as of Sept 2017 payouts (Aug 2017 collections). Based on the analysis of CRISIL rated pools, the collection ratio has been in the range of 96% - 98% during May 2017 to September 2017, indicating stabilization in the collection ratio at a new normal compared to collection ratio in the range of 99%-100% in pre-demonetisation years.

The performance of the asset class is not uniform across geographies. States of Bihar, Odisha and the North-Eastern states continue to post collection efficiencies in the range of 94-101%. Collections in states such as Utter Pradesh and Madhya Pradesh, which were severely impacted post-demonetisation with collection efficiency less than 80%, have rebounded sharply posting collection efficiency above 90%. However, parts of Karnataka and the Vidarbha region in Maharashtra remain laggards even ten months post the demonetization announcement, collection efficiency in these regions has been still below 80%.



CRISIL-rated microfinance pools on which rating was withdrawn during the half year ended September 2017, showed final median overdues of around 1.2%.

CRISIL-rated pools are under continuous surveillance. Four CRISIL-rated instruments backed by microfinance pools were downgraded to CRISIL D (SO) in the recent months as collection from underlying assets and available credit enhancement was insufficient to cover future investor payouts.

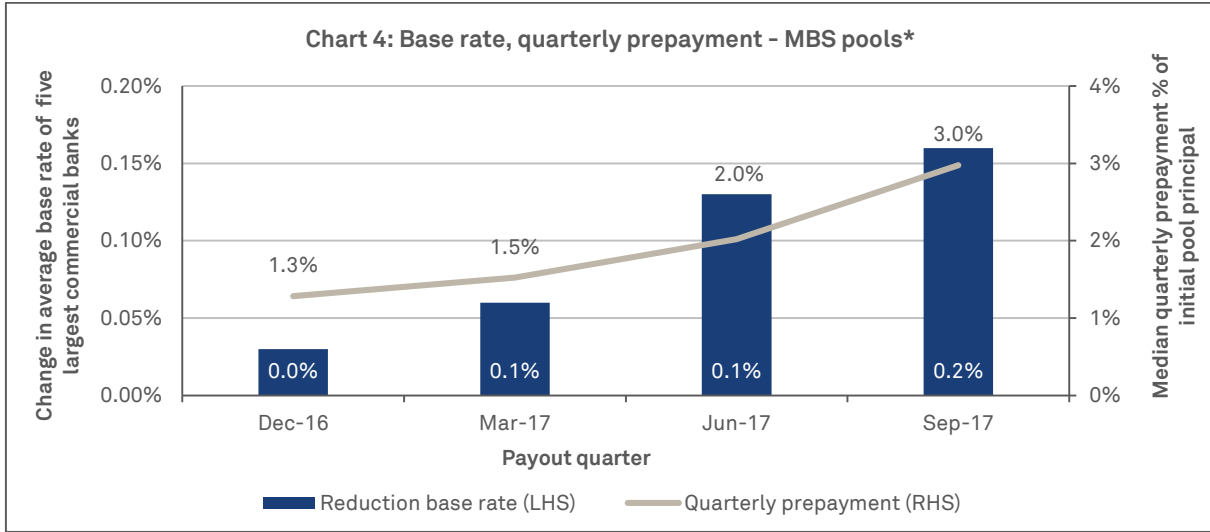
Mortgages

Negligible overdues; prepayments on an uptrend

Performance of mortgage backed securities remained stable during the quarter-ended September 2017 with median 3 month average MCR at 98.8%. The overdue remain negligible.

With the fall in the bank base rate, prepayments have been on an uptrend over the last one year. As the average base rate of the five large commercial banks fell by 29 bps between April and September, the quarterly prepayments in CRISIL rated MBS pools (with

amortization less than 80%, excluding pools with very high levels of amortization) further accelerated. In the falling interest rate scenario, balance transfer is one of the key reasons for prepayment.



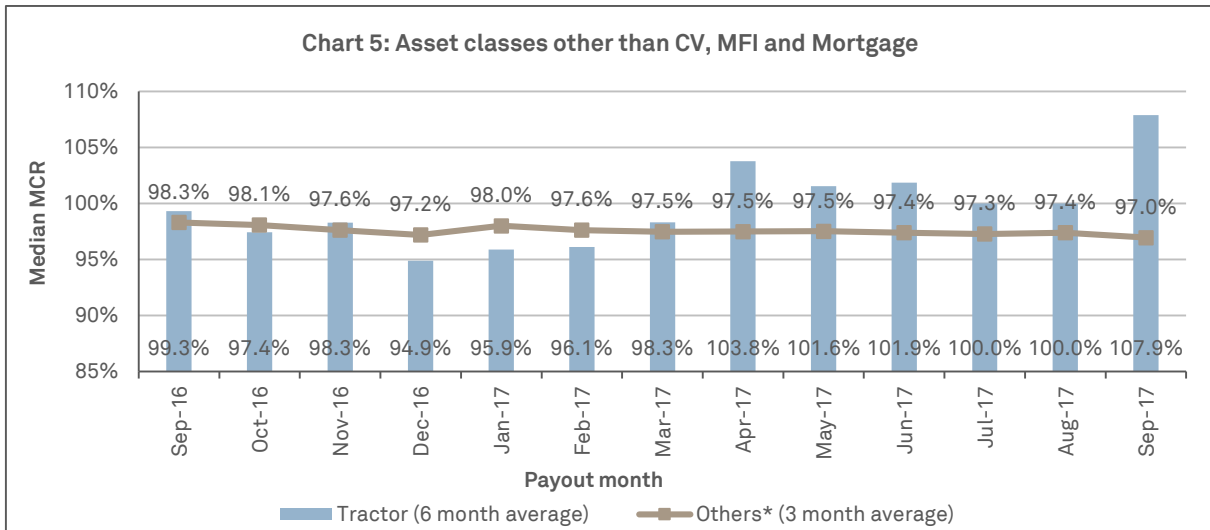
* Excludes pools with very high amortisation (>80% as of Sep-2016 payouts)

Source: RBI database and CRISIL Ratings

Other asset class

Performance of other asset classes in line with expectations

CRISIL-rated PTCs backed by car, two wheeler, construction equipment and small business loan pools are performing in line with expectations with collection ratio above 95%. Supported by near-normal monsoons, performance of CRISIL-rated tractor pools has been robust with 6 month average collection performance steadily at or about 100% over the last six months. Analysis of tractor pools, on which rating was withdrawn during the half year ended September 2017, shows overdue recovery in the range of 30-60% by the end of PTC tenure from their median peak overdues of 3.4%. The recovery is in line with the expectations and as per cyclical nature of the industry.



CRISIL Performance Report

Conclusion

CRISIL-rated CV pools are expected to continue the stable performance in medium term given the government's sharp focus on investment-led growth and operational ease post GST. Fuel prices and demand for freight services will be key monitorable in near term.

Performance of microfinance pools will be determined by twin factors – (i) the strength of policies and processes of originators including the extent/frequency of their connect with borrowers/employees and (ii) the regional socio-political environment in districts/geographies the pools are exposed to. CRISIL will be closely monitoring the political noise in states where assembly elections are slated to happen in the coming months.

CRISIL expects the performance of the pools backed by home loan receivables to be stable and prepayments to remain elevated. CRISIL believes the credit cover available in the outstanding mortgage pools is sufficient to withstand any emerging industry-wide stress in LAP asset class.

All rated pools are kept under surveillance by CRISIL until investor payouts are made in full. CRISIL disseminates the ratings/credit opinions through its quarterly publications and press releases in a timely manner. The ratings/credit opinions represent CRISIL's view on the transactions as on December 31, 2017.

Performance Update – Commercial Vehicle Pools

Chart 6

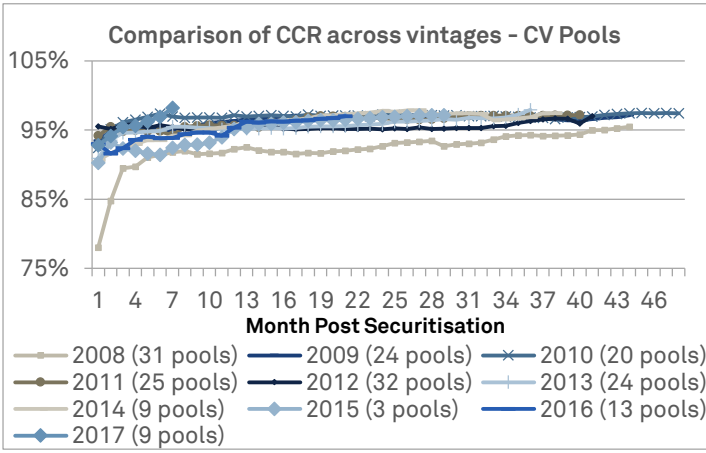


Chart 7

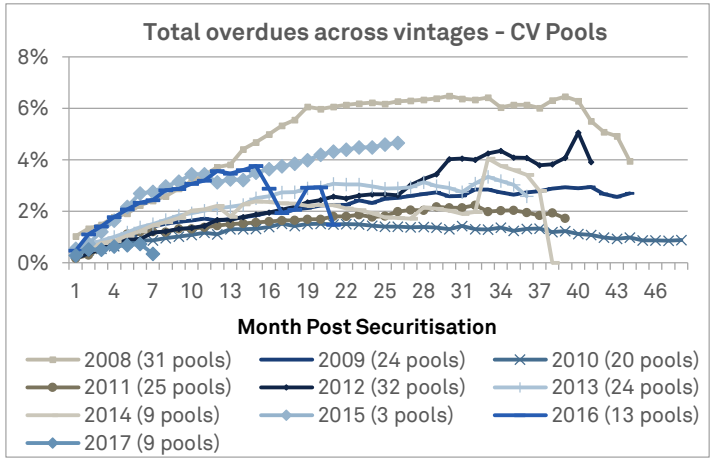


Chart 8

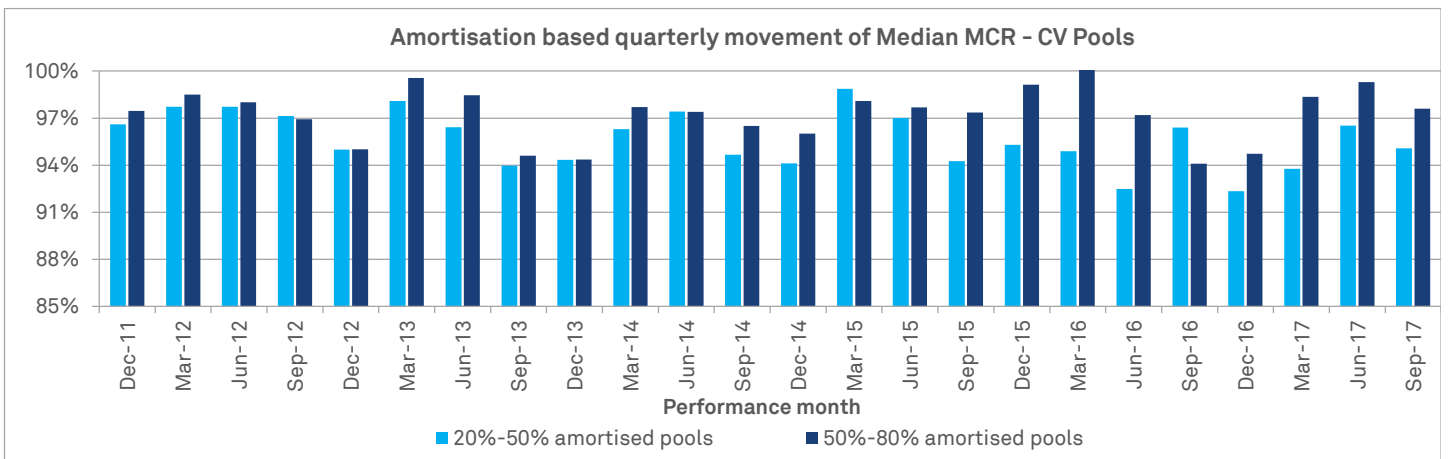


Chart 9

