

Indian School Finance Company Private Limited

ICRA has reaffirmed the ratings assigned to the Pass Through Certificates (PTCs) under securitization transactions, backed by affordable school finance loan pool receivables originated by Indian School Finance Company Private Limited (ISFC)[†]. The rating reaffirmation reflects the good collection performance on the underlying pools so far, and enhanced credit enhancement cover for the rated instruments over the shorter residual tenure.

The summary of the rating actions taken by ICRA is given below.

Table 1: Rating Summary

Trust Name	Rated Instrument	Initial Amount (Rs. Cr)	O/s after Jun-16 Payout (Rs. Cr)	Rating Action
Nephthys SBL IFMR Capital 2014	PTC Series A1	8.43	2.08	Reaffirmed at [ICRA]A(SO)
	PTC Series A2	0.47	0.47	Reaffirmed at [ICRA]BB+(SO)
Techne SBL IFMR Capital 2015	PTC Series A1	12.59	7.58	Reaffirmed at [ICRA]BBB+(SO)
	PTC Series A2	0.72	0.72	Reaffirmed at [ICRA]BB-(SO)

The selected pools comprise of affordable school finance loans (less than or equal to Rs. 45,00,000 each), with high initial tenure of contracts (4-5 years), moderate initial seasoning and no initial overdue contracts in any of the transactions.

The above mentioned transactions involved assignment of pool of receivables by ISFC to an SPV at par. The SPV in turn issued two series of PTCs backed by the receivables of the pool. For the transactions under consideration, collections on the underlying loans are on a monthly basis and the corresponding payouts are made on monthly basis.

In case of these transactions, the promised cash flow schedule for PTC A1 on a monthly basis will consist of monthly interest (at the pre-determined rate on its principal outstanding) and principal repayment on the last payout date. The excess collections available every month, after meeting the promised payout to PTC A1 would be first used to make the expected principal payment to PTC A1, as per a pre-defined schedule. Any residual cashflow after making the expected principal payment to PTC A1 would be used to make expected interest payout to PTC A2. As no payment is scheduled to be paid to PTC A2 during the tenure of PTC A1, the CC would not be drawn for meeting shortfall in this expected interest payment. After the maturity of PTC A1, the collections from the pool would be first used to make the cumulative interest payment (including any unpaid interest payouts carried forwarded from prior payouts) to PTC A2. Subsequent to maturity of PTC A1, the cashflow schedule would comprise of monthly interest payment to PTC A2, while the excess pool collections after making the interest payment, would be paid to PTC A2 by way of its principal amortization. Any excess collections available every month after meeting the promised and expected payouts for the month would flow back to the Originator.

Brief performance summaries for the pools under consideration of ISFC are as given below.

[†] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

Table 1: Performance Summary till Jun-16 Payout

	Nephthys	Techne
Number of months post securitisation	18	11
Pool Amortisation	67.74%	35.06%
PTC Amortisation - PTC A1 PTC A2	75.37% NIL	39.85% NIL
Cumulative Collection Efficiency ¹	98.38%	99.15%
Loss-cum-30+ (% of initial pool principal) ²	4.66%	0.58%
Loss-cum-90+ (% of initial pool principal)	1.73%	0.00%
Average Monthly Prepayment Rate	2.14%	1.70%
Cumulative Prepayment Rate ³	32.22%	17.21%
Cumulative Cash Collateral Utilisation	0.00%	0.00%

As seen from the table above, the cumulative collection efficiency for the transactions have been more than 98%. The 90+ delinquency levels for Nephthys pool is 1.73% after Jun-16 payout while there are no contracts which have a dpd of greater than 90 in the Techne pool after Jun-16 payout. As a result, no cash collateral has been utilized till date for the transaction as the EIS has been sufficient to meet any shortfall in payout. The prepayment rate in the Nephthys pool has been higher with the average monthly prepayment rate being 2.14% while the average monthly prepayment rate for the Techne pool is 1.70%. The average monthly prepayment rates are comparable to prepayments observed in pools backed by loan against property (LAP) contracts. The Nephthys pool has undergone high amortisation post securitization (~68%) while the Techne transaction has undergone moderate amortisation post securitization (~35%). Given the structure of the transaction, wherein the collections from the pool in excess of scheduled investor payouts are used to accelerate the principal amortisation of the investor, the amortization of the investor principal has been at a faster pace when compared to that of the pool.

ICRA will continue to monitor the performance of these transactions. Any further rating action on any of these pools will be based on the performance of the pools, the availability of credit enhancement and the credit profile of the Servicer.

About the Originator

Indian School Finance Company Private Limited (ISFC) is an NBFC in the business of providing credit facilities to the Affordable private school (APS) segment, i.e. providing loans to private schools for improvement, capacity expansion and growth. The company commenced operations from October 2008 after Gray Ghost Ventures (GGV) acquired the NBFC. ISFC defines APS as one which collects fees in the range of Rs.300 to Rs.1500 per month as tuition fees. Currently the company operates out of eleven states with Delhi as its corporate office and Hyderabad as its registered office. As on Mar-16, ISFC had a client base close to 1450 schools and had a portfolio of around Rs. 164 crore. The Company is managed and controlled by GGV post acquisition of majority stake (68%) in the Company. Caspian advisors private limited, a private equity providing company has minority 32% stake in ISFC. In FY2016, the company reported a PAT of Rs.2.2 crore on a total income of about Rs.25.7 crore compared to reported a PAT of Rs.1.0 crore on a total income of about Rs.16.0 crore in FY2015. ICRA currently has a rating of [ICRA]BB+(Stable) on the NCDs of ISFC.

ISFC has been a part of 3 standalone transactions and one Multi-originator transactions rated by ICRA which have reported good collection efficiency and with moderate delinquencies till date. Also there has been no cash collateral utilization in any of these transactions till date.

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¹ Cumulative collections / (Cumulative billings + opening overdue at the time of securitization) There are no opening overdue in case of any of these pools

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³ Principal outstanding at the time of prepayment of contracts prepaid till date divided by initial pool principal



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