

February 07, 2023

Fullerton India Credit Company Limited: Rating confirmed as final for PTCs issued under a personal loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
PL PTC TRUST 01	Series A1 PTC	88.37	[ICRA]AA+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In January 2023, ICRA had assigned a Provisional [ICRA]AA+(SO) rating to Series A1 PTCs issued by PL PTC TRUST 01. The pass-through certificates (PTCs) are backed by a pool of Rs. 98.19 crore (pool principal; receivables of Rs. 124.51 crore) of personal loan (PL) receivables originated by Fullerton India Credit Company Limited {FICCL; rated [ICRA]AAA (Stable)}. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the January 2023 payouts is shown in the table below.

Parameter	PL PTC TRUST 01
Months post securitisation	1
Pool amortisation	6.16%
Series A1 PTC amortisation	6.53%
Cumulative prepayment rate	3.30%
Cumulative collection efficiency	99.39%
Loss-cum-0+ dpd	0.02%
Loss-cum-30+ dpd	0.00%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS), subordination and cash collateral (CC)
- Absence of overdue contracts as on pool cut-off date
- High weighted average seasoning of ~22 months and pre-securitisation amortisation of ~33%
- All contracts in the pool have CIBIL score of 750 or greater as on pool cut-off date

Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance would remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

As per the transaction structure, both the interest amount and the principal amount (90% of pool principal billing) is promised to the Series A1 PTC holders on a monthly basis. All the collections from the pool, after making the promised payouts to Series A1 PTC, will be passed on to the Originator every month.

The CE in the transaction for Series A1 PTC is in the form of an over-collateralisation of 10.0% of the pool principal and EIS of 15.64% of the pool principal. A CC of 12.50% of the initial pool principal (Rs. 12.27 crore), provided by FICCL, would act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month (post utilisation of over-collateralisation and EIS), the trustee will utilise the CC to meet the shortfall.

The weighted average seasoning of the pool is high at 22.15 months as on the pool cut-off date (November 30, 2022). There are no overdue contracts in the pool as on the cut-off date and all contracts in the pool have been regular since origination (i.e. demonstrated nil peak dpd). Furthermore, all the contracts in the pool have CIBIL score of 750 or greater at the time of origination, provides comfort. However, pool's performance would remain exposed to any macro-economic shocks/business disruptions, if any.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of the Originator's loan portfolio. ICRA notes FICCL's credit quality experience and ICRA's expectation of the credit quality for the asset classes involved. The company had witnessed a moderation in the asset quality at the portfolio level post the pandemic, resulting in the build-up of delinquencies. However, the recent originations (post June 2022) have demonstrated a healthy performance, but with a limited track record so far. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 4.50-5.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 3.2-12.0% with a mean of 8.0% per annum.

Liquidity position: Strong

As per the transaction structure, both the interest amount and the principal amount (90% of pool principal billing) is promised to the Series A1 PTC holders on a monthly basis. Assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfalls in the promised cash flows to the PTCs for a period of approximately twelve months. Overall, the cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the payouts to the Series A1 PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – Pressure on the rating could emerge with the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the Trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Fullerton India Credit Company Limited (FICCL) commenced its operations in January 2006, caters primarily to individual and self-employed borrowers. Post the transaction between Fullerton Financial Holdings Pte Ltd (FFH) and Sumitomo Mitsui Financial Group (SMFG) in November 2021, the shareholding changed with SMFG holding a 74.9% stake in FICCL and Angelica Investments and its nominees holding 25.1%. FICCL's secured lending portfolio consists of mortgage loans to retail customers and small and medium enterprises (SMEs), commercial vehicle (CV) loans and secured rural loans such as two-wheeler loans, CV and mortgage loans. The unsecured portfolio comprises personal loans to salaried and self-employed individuals, and group and individual loans in the rural space.

The company had 631 branches as of FY2022. In FY2022, FICCL reported a net profit of Rs. 58 crore on a total asset base of Rs. 23,490 crore compared to a net loss of Rs. 1,157 crore on total assets of Rs. 23,782 crore in FY2021. In H1 FY2023, the company reported a net profit of Rs. 281 crore on a total asset base of Rs. 29,524 crore.

Key financial indicators

	FY2021	H1 FY2022 [^]	H1 FY2023 [^]
Total income	4,758	1,775	2,149
PAT	-1,157	-455	281
Net worth	4,244	3,783	4,884
Assets under management	20,858	18,400	25,066
Gross stage 3 / Gross advances**	10.2%	10.2%	4.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; [^] Unaudited financial results for H1 FY2022 and H1 FY2023;

** Gross Stage 3 are basis portfolio outstanding.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years		
	Instrument	Initial amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				February 7, 2023	January 02, 2023			
PL PTC TRUST 01	Series A1 PTC	88.37	88.37	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PL PTC TRUST 01	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
PL PTC TRUST 01	Series A1 PTC	Dec 2022	8.35%	October 2026	88.37	[ICRA]AA+(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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