

## TVS Credit Services Limited

ICRA has reaffirmed the ratings for PTCs backed by five pools of tractor receivables originated by TVS Credit Services Limited (TVSCSL). ICRA has also upgraded the rating of Second Loss Facility provided in one of these transactions, as tabulated below<sup>1†</sup>.

**Table 1: Summary of rating action taken by ICRA**

Sr. No.	Issue Name	Instrument Description	Initial Principal (Rs. crore)	Principal O/s after Aug-16 Payout (Rs. crore)	Rating Action
1	Gold Trust October 2015	PTCs	75.78	48.64	Reaffirmed at [ICRA]AAA(SO)
		Second Loss Facility	4.36	4.36	Upgraded to [ICRA]A+(SO) from [ICRA]A-(SO)
2	Lotus Trust July 2015	PTCs	40.71	19.75	Reaffirmed at [ICRA]AAA(SO)
3	Moon Trust January 2015	PTCs	36.69	14.54	Reaffirmed at [ICRA]AAA(SO)
4	Sparkle Trust November 2014	PTCs	71.15	19.49	Reaffirmed at [ICRA]AAA(SO)
5	Lotus Trust August 2014	PTCs	39.74	7.68	Reaffirmed at [ICRA]AAA(SO)

All the five transactions involved assignment of a pool of receivables by the Originator to a SPV, which issued a single series of PTCs backed by the same. The rating action is based on the performance of the pools till July 2016 (collection month), the present delinquency level, expected performance over the balance tenure and the credit enhancement available.

**Table 2: Summary of pool performance (till Jul-16 collection month)**

	Gold Trust Oct-15	Lotus Trust Jul-15	Moon Trust Jan-15	Sparkle Trust Nov-14	Lotus Trust Aug-14
Months post securitization	11	14	19	21	24
Amortization (%)	35.81%	51.49%	60.36%	72.61%	80.67%
Cumulative collection efficiency (%)	97.43%	97.89%	97.19%	97.17%	97.94%
Loss-cum-90+ dpd (% of initial pool principal)	0.71%	1.01%	1.19%	1.29%	0.60%
Loss cum 180+ dpd (% of initial pool principal)	0.32%	0.58%	0.75%	1.08%	0.28%
Cash collateral utilization (as % of initial cash collateral)	0.00%	0.00%	0.39%	0.12%	0.00%

The performance of all the pools has been good with loss-cum-90+ dpd level in the region of 0.6% - 1.3% and cumulative collection efficiency in the region of 97% - 98% after meeting Aug-16 payouts. Most of the collection

<sup>1†</sup> For complete rating scale and definitions refer ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

shortfalls in these pools have been absorbed by the Excess Interest Spread (EIS) available in the transaction. As a result, nil/ negligible cash collateral has been utilised in these pools till date.

Overall, the credit enhancement available for meeting balance payouts to the investors– after downward reset of cash collateral in some of the transactions - is sufficient to reaffirm the ratings of the PTCs at the current level in all the transactions. ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations.

**About the Originator / Servicer:**

TVS Credit Services Limited (TVS CSL) is a captive financier for TVS Motor Company Limited (TVSM). TVS-CSL was incorporated in November 2008 as a subsidiary of TVSM to take over the retail finance business of TVS Finance and Services (TVSFSL), and commenced operations in April 2010. Prior to TVS-CSL, TVSFSL was the captive financing arm of TVS Motors. TVS-CSL started as a two-wheeler loan financier but gradually diversified into tractor and used car loan products. The overall managed advances of the company stood at around Rs. 3,954 crore as on Mar-16 (around 51% share of two-wheeler loans, 22% share of tractor loans and 27% share of used car loans). In FY2016, TVS-CSL reported a net profit of Rs. 50.7 crore on total assets of Rs.4,193 crore vis-à-vis a net profit of Rs. 29.2 crore on a total asset base of Rs. 3,051 in FY2015. TVS CSL has ratings outstanding of [ICRA]A+ / [ICRA]A1+ from ICRA.

TVS CSL started the tractor loan business in July 2012 and has built up a book of around Rs. 760 crore as on Jun-16. The 90+ and 180+ dpd levels for the tractor portfolio of TVS CSL was around 2.1% and 1.2% as on Jun-16. While the credit quality has been good till date, the company's ability to maintain the same going forward, given the short track record of the company, remains to be seen.

ICRA has rated 7 tractor loan pools originated by TVS CSL till date. The observed delinquencies in the pools have been low to moderate till the Aug-16 payouts. Additionally, in Mar-12, ICRA had rated one two-wheeler loan pool originated by TVS CSL. Cleanup call option for the same was exercised by the Originator in August 2013. The performance of the pool was good with loss-cum-90+ dpd level of less than 1% at the time of exercise of cleanup call option.

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