

## Electronica Finance Limited

### Egret SBL IFMR Capital 2016

The ratings of provisional [ICRA]A-(SO)<sup>†</sup> and provisional [ICRA]BB+(SO) have been assigned to PTC Series A1 and PTC Series A2, issued by Egret SBL IFMR Capital 2016, backed by machinery loan receivables pool originated by Electronica Finance Ltd (EFL).

**Table 1: Rating Summary**

Description	Principal (Rs. Crore <sup>1</sup> )	Payout Maturity	Rating
PTC Series A1	30.66	March 2021	Provisional [ICRA]A-(SO)
PTC Series A2	1.38	March 2021	Provisional [ICRA]BB+(SO)
Overcollateral	2.41		
<b>Total</b>	<b>34.44</b>		

The provisional ratings are subject to the fulfillment of all conditions under the structure, due diligence audit of the pool, review by ICRA of the documentation pertaining to the transaction and EFL furnishing to ICRA an independent legal opinion on the transaction from the transaction legal counsel. The provisional ratings are based on the strength of cash flows from the selected pools of contracts; the credit enhancement available in the form of (i) cash collateral of 3.00% of the pool principal, and (ii) subordination of 11.00% of the pool principal for PTC Series A1 and subordination of 7.00% of the pool principal for PTC Series A2 and (iii) subordination of the entire Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure.

The selected pool consists of receivables from loans given by EFL to its customers for the purchase of machinery and other business equipment. The pool is characterized by an average seasoning of about 13 months, high obligor concentration (with top 10 obligors accounting for approx 13% of the pool) and no overdue on the selected loans as of the pool cut-off date.

According to the transaction structure, the entire pool of selected contracts will be assigned to a Special Purpose Vehicle (Trust) at par. The Trust has issued two series of PTCs backed by the receivables. PTC A1 (89.00% of the pool principal) and PTC A2 (4.00% of the pool principal) have sequential seniority on principal payment. Any payment to the Originator will be made only after all the PTC Payouts are made. The monthly schedule of promised cashflows for PTC A1 will comprise payment of yield (at the pre-determined rate on the principal outstanding) and scheduled principal repayment on a monthly basis (not promised before last payout date). Any monthly collections, in excess of the expected principal payment to PTC A1, would flow to PTC A2 as yield (not promised till PTC A1 is live). Principal is scheduled to be paid on a monthly basis to PTC A2 (not promised before last payout date) after payment of PTC A1 in full. Any principal payout to PTC A2 will be made only after PTC A1 has been paid in full.

### About the Originator

Electronica Finance Limited (EFL), formerly known as Electronica Leasing and Finance limited, is a closely held Non Banking Finance Company (NBFC) incorporated in the year 1990. It belongs to Pune-based Electronica Group, which has been in existence for last 25 years. The Group also has global presence marketing associations with some global leaders for import of their manufactured machines. EFL was set up in 1990 with a mandate to provide finance to customers of Electronica Machine Tools Limited (EMTL) especially the Tier II, Tier III and Tier IV ancillary units. Subsequently EFL started financing the products of other manufacturers in the machine tool industry and it is now functions as a full-fledged asset financing company with a total Assets Under Management (AUM) of Rs. 881 crore as on June 2016 and is operational over a network of around 36 branches across India. In FY2016, EFL reported a PAT of Rs. 13.60 crore on a total income of Rs. 102.41 crore as against a PAT of Rs. 12.66 crore on a total income of Rs. 93.99 crore in FY2015. EFL reported a PAT of Rs. 2.48 crore on a total income base of Rs. 27.50 crore in Q1 FY2017. The regulatory capital adequacy of the company stood at 24.10% as on March 2016.

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

<sup>1</sup> 100 Lakh = 1 crore = 10 million



In the past, ICRA has assigned ratings to PTCs under nine transactions backed by machinery loan and industrial property loan pools originated by EFL. The performance of all the underlying pools has been good with cumulative collection efficiency of more than 96.5% post the September-2016 payouts.

ICRA has a rating outstanding of [ICRA]BBB+ / [ICRA]A2+ on the bank lines of EFL with a stable outlook.

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