

November 22, 2017

## Indian School Finance Company Private Limited

### Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore <sup>1</sup> )	Rating action
1	Vivriti Jinn 011 2017	PTC Series A1	46.12	Provisional [ICRA]A-(SO) Assigned
		PTC Series A2	4.34	Provisional [ICRA]BBB-(SO) Assigned

\*Instrument details are provided in Annexure I

### Rating Action

ICRA has assigned Provisional [ICRA]A-(SO) and Provisional [ICRA]BBB-(SO) ratings to PTC Series A1 and PTC Series A2 respectively under a securitisation transaction originated by Indian School Finance Company Private Limited (ISFC). The PTCs are backed by a pool of Rs. 78.58 crore school finance loan receivables (underlying pool principal of Rs. 54.26 crore).

### Rationale

The provisional ratings are based on the strength of cash flows from the selected pool of contracts; the credit enhancement available in the form of (i) Cash collateral of 4.00% of the pool principal to be provided by the Originator, (ii) subordination of 15.00% 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 entire Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure. The ratings are subject to fulfillment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit Strengths

- The first line of support is available for the transaction through subordination of 15.00% of pool principal for PTC Series A1 and subordination of 7.00% of pool principal for PTC Series A2;
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 29.08% of the pool principal amount for PTC A1 and 25.52% of the pool principal amount for PTC A2 followed by a Credit Collateral (CC) equivalent to 4.00% of the initial pool principal amount.
- Favorable selection filters for the pool like absence of overdue contracts and low share of contracts in the pool with high LTV (>70%) at 5%;

#### Credit Weakness

- Moderate delinquency level in the portfolio of ISFC, specially in the softer delinquency buckets;
- High geographical concentration of the contracts in the pool with the top city making up 13.35% of the pool principal and the top 3 cities accounting for 29.14% of the pool principal;

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



**Description of key rating drivers highlighted above:**

The first line of support for Series A1 PTCs in the transaction is in the form of subordination of 15.00% of the pool principal (includes principal payable to PTC A2 and over collateralization). After PTC A1 has been fully paid, subordination of 7.00% of the pool principal will be available for PTC A2 (i.e. over collateralization). An important feature of the structure in this transaction is that any collection in excess of the promised interest payouts to PTC A1 would be first utilised for payment of scheduled principal of PTC A1 and then for expected interest payouts to PTC A2. After PTC A1 is completely amortised the same would be utilised for payment of promised interest and scheduled principal to PTC A2. Any excess collections on the Pool after the scheduled payment to A2 would flow back to the Originator on a monthly basis.

Additionally, EIS available in the structure will also provide credit enhancement support to the transaction. Cash collateral of 4.00% of the initial pool principal provided by ISFC acts as further credit enhancement in the transaction. In the event of shortfall in meeting the promised PTC payouts during any month, the Trustee will utilize the cash collateral to meet the shortfall.

There are no overdues in the pool as on the cut-off date. The pool consists of loans that are moderately seasoned with weighted average seasoning of 11.84 months and low average Loan to value (LTV) of 29.15%. The door to door residual tenure of the contracts is high at 72 months.

**Key rating assumptions**

ICRA's cash flow modeling for rating ABS transactions involves simulation of potential delinquencies, losses and prepayments in the pool. The assumptions for mean shortfall and the Co-efficient of Variation (CoV) are arrived on the basis of the values observed in the analysis of the Originator's loan portfolio. Additionally, the assumptions may also be adjusted to account for the current macro economic situation as well as any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated to be about 6.0% - 7.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 12.0% - 18.0% per annum.

**Analytical approach:**

The rating action is based on the profile of the current pool, performance of ISFC's portfolio till September 2017, performance expected over the balance pool tenure, and the credit enhancement available in the current transaction.

**Links to applicable Criteria**

[Rating Methodology for Securitization Transactions](#)

**About the Company:**

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 up to Rs.1500 per month as tuition fees. Currently the company operates out of thirteen states with Delhi as its corporate office and Hyderabad as its registered office. As on Sep-17, ISFC had a portfolio of around Rs. 364 crore. The company was incorporated in May 1994, as a public limited company by the name as Corporate Deposits Investments Limited. Gray Ghost Ventures (GGV) acquired the NBFC in October 2008 and commenced operations with lending to the APS segment. GGV and its related entities are the majority shareholders (currently holding 63%).

During FY2017, ISFC reported a profit after tax (PAT) of Rs 4.56 crore on a total managed asset base of Rs. 364 crore as against a PAT of Rs. 2.17 crore on a total managed asset base of Rs.182 crore during FY2016. ICRA has a rating outstanding of [ICRA]BBB-(stable) on the NCD programme and the long term bank lines of ISFC. As on September 2017, the 30+ delinquency level for the overall portfolio of ISFC was moderate at 4.82%.

**Key Financial Indicators**

<b>Particulars</b>	<b>FY2016</b>	<b>FY2017</b>
Total income(Rs. crore)	24.23	38.90
Profit after tax(Rs. crore)	2.17	4.56
Net worth(Rs. crore)	23.03	67.69
Total Assets(Rs. crore)	167.04	308.64
Total managed assets(Rs. crore)	182.13	364.29
Return on Assets(%)	1.64%	1.92%
Return on Average Net worth(%)	9.90%	10.05%
Total Debt/ Tangible Net Worth (times)	6.10	3.02

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating November 2017	Month- year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
1	Vivriti Jinn 011 2017	PTC Series A1	46.12	Provisional [ICRA]A-(SO)	-	-	-
		PTC Series A2	4.34	Provisional [ICRA]BBB-(SO)	-	-	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure I**  
**Details of Instruments**

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date	Initial Amount (Rs. crore <sup>2</sup> )	Current Rating
1	Vivriti Jinn 011 2017	PTC Series A1	November 2017	10.15%	June 2021	46.12	Provisional [ICRA]A-(SO)
		PTC Series A2		12.50%	November 2021	4.34	Provisional [ICRA]BBB-(SO)

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<sup>2</sup> 100 lakh = 1 crore = 10 million

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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.

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