

March 22, 2018

## Western India Transport Finance Company Private Limited

### Summary of Rated Instruments

Trust Name	Instrument*	Initial Issued Amount (Rs. crore <sup>1</sup> )	Rating action
Sanchez CV Northern Arc Capital 2018	PTC Series A1	11.53	Provisional [ICRA]A-(SO) assigned

\*Instrument details are provided in Annexure I

### Rating Action

ICRA has assigned Provisional [ICRA]A-(SO) rating to PTC Series A1 under a securitisation transaction originated by Western India Transport Finance Company Private Limited (Witfin). The PTCs are backed by a pool of Rs. 16.15 crore commercial vehicle loan receivables (underlying pool principal of Rs. 12.81 crore).

### Rationale

The provisional rating is based on the strength of cash flows from the selected pool of contracts; the credit enhancement available in the form of (i) First Loss Facility (FLF) in the form of cash collateral of 5.00% of the pool principal to be provided by the Originator, (ii) Second Loss Facility (SLF) of 6.00% of the pool principal, which will be in the form of an unconditional and irrevocable guarantee to be provided by a third party (acceptable to ICRA), (iii) subordination of 10.00% of the pool principal for PTC A1, and (iv) the entire Excess Interest Spread (EIS) in the structure; and the integrity of the legal structure.

The ratings are subject to fulfilment 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 available for the transaction is through subordination of 10.00% of the pool principal for PTC Series A1;
- Further credit support in the transaction is available through subordination of the excess interest spread (EIS) amounting to around 15.30% of the pool principal amount for PTC A1;
- All contracts in the pool are current as on the pool cut-off date;
- The pool consists of contracts with weighted average seasoning of 10.02 months and pre-securitization amortization of 26.74%

#### Credit Weaknesses

- High geographical concentration with top state accounting for ~72% of the overall 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 10.00% of the pool principal. An important feature of the structure in this transaction is that any principal collection in excess of the promised interest payouts to PTC A1 would be first utilised for payment of scheduled principal of PTC A1.

Further credit support in the transaction is available through a First Loss Facility (FLF) in the form of cash collateral of 5.00% of the pool principal amount (Rs 0.64 Cr.) and Second Loss Facility (SLF), to the extent of 6.00% of the pool principal amount (Rs. 0.77 crore). The cash collateral will be in the form of a fixed deposit maintained with a bank acceptable to ICRA. The Second Loss Facility (SLF), will be provided in the form of an unconditional and irrevocable guarantee by a third party (acceptable to ICRA).

Additionally, EIS available in the structure will also provide credit enhancement support. The EIS available after meeting the promised and scheduled payments, as given above, will flow back to the Originator on a monthly basis.

There are no overdues in the pool as on the cut-off date. The pool consists of loans that have moderate weighted average seasoning of 10.02 months and pre-securitisation amortisation of 26.74%. Additionally, the contracts have an average ticket size of Rs. 3.59 lakhs which is in line with industry standards.

The geographical concentration of the loan contracts in the current pool is high with top state constituting about 72% of the pool principal and the top five branches constituting 52% of the pool principal.

**Key rating assumptions**

ICRA's cash flow modelling 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 5.50% - 6.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 12% - 15% per annum.

**Analytical approach:**

The rating action is based on the analysis of the past performance of Witfin's portfolio, key characteristics and composition of the current pool, performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

**Links to applicable Criteria**

[Rating Methodology for Securitisation Transactions](#)

**About the Company:**

Western India Transport Finance Company Private Limited was incorporated on 13th April 2006. It got its NBFC license in 2011. Its registered office is in Navi Mumbai, Maharashtra. The company started disbursing vehicles loans in FY2012. and as on FY2012 the portfolio stood at Rs. 2.24 crore. As on December 17, Witfin had presence in 3 states, Maharashtra, Gujarat and Rajasthan spreading across 30 districts with AUM of Rs. 116.40 crore. The 90+ dpd for the company stood at 6.76% as on December 2017.

**Key Financial Indicators**

Indicator (in Rs. crores)	FY 2016	FY 2017
Total Operating Income	8.71	12.64
Profit after tax	1.23	1.36
Total assets	54.26	91.71
Interest coverage (times)	1.59	1.31
Net NPA (%)	0.60%	1.37%
ROTA (%)	2.86	1.87

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

**Any other information:** Not Applicable

**Rating history for last three years:**

**Table:**

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Amount Outstanding (Rs. Crores)	Month-year & Rating March 2018*	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	Sanchez CV Northern Arc Capital 2018	PTC Series A1	11.29	11.29	Provisional [ICRA]A-(SO)	-	-	-

*\*Initial rating assigned*

**Complexity level of the rated instrument: Highly Complex**

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**

<b>Sl.</b>	<b>Trust Name</b>	<b>Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Scheduled Maturity Date*</b>	<b>Initial Amount (Rs. crore<sup>2</sup>)</b>	<b>Current Rating</b>
1	Sanchez CV Northern Arc Capital 2018	PTC Series A1	March 2018	11.00%	September 2021	11.53	Provisional [ICRA]A-(SO)

\* Scheduled maturity at transaction initiation; may change on account of prepayment

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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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