S V Creditline Limited

March 28, 2019

Summary of rated instruments

Trust Name	Instrument*	Current Rated Amount(Rs. crore)	Rating Action
MILESEC 2019	PTC Series A	46.41	Provisional [ICRA]A-(SO) assigned

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned Provisional [ICRA]A-(SO) ratings to Pass Through Certificates (PTCs) Series A under a securitisation transaction backed by micro loan receivables originated by S V Creditline Limited (SVCL). The PTCs are backed by a pool of Rs. 56.23 crore micro loan receivables (underlying pool principal of Rs. 51.00 crore).

Rationale

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 9.00% of the pool principal to be provided by the Originator, (ii) subordination of 9.00% of the pool principal for PTC Series A, and (iii) subordination of 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 is available for the transaction through subordination of 9.00% of pool principal for PTC Series A. Further credit support in the transaction is available through subordination of the excess interest spread (EIS) of 7.11% of pool principal for PTC Series A followed by a Cash Collateral (CC) equivalent to 9.00% of the initial pool principal amount.
- All the contracts in the pool have remained current on payments as of the pool cut-off date
- The pool has a high seasoning of around 32.65 weeks and pre-securitisation amortisation of around 56.42%.
- Around 81.2% of the pool principal is from borrowers that have completed 1 loan cycle, indicating established repayment track record, with the company.

Credit challenges

- The pool is geographically concentrated at state level with top state (UP) accounting for 46.32% of the pool principal. However, the pool is well diversified at district level with top 5 districts accounting for 16.14% of the pool principal.
- Around 45% of the pool consists of contracts emanating from districts which have witnessed high delinquencies in SVCL's portfolio.

Description of key rating drivers highlighted above:

The first line of support for Series A PTCs in the transaction is in the form of subordination of 9.00% of the pool principal. After the promised and scheduled payout to the PTCs have been made every month, the subordinated EIS, which also adds support to the PTCs, will flow back to the Originator.

Cash collateral of 9.00% of the initial pool principal provided by SVCL 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.

The contracts in the pool have remained current on all payments post disbursement. The contracts are highly seasoned with weighted average seasoning of 32.65 weeks and a high pre-securitisation amortisation of 56.42%. The contracts have an average ticket size of Rs. 28,416 which is in line with industry standards.

The geographical concentration of the loan contracts in the current pool is high at the state level with top state constituting 46.32% of the pool principal while at the district level, the concentration is low with top five districts constituting 16.14% of the pool principal. Around 45% of the pool comprise of contracts from districts that have adversely performed in SVCL's portfolio as of Dec-18. However, all the contracts in the pool are ever-current as on the cut-off date and the pool has around 81.2% of the borrowers who have completed 1 or more loan cycles as on the pool cut-off date. Borrowers who are in their 1st loan cycle are considered riskier as they have a limited payment track record with the company.

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 5.5% - 6.5%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 2.0% - 5.0% per annum.

Liquidity Position

The principal amount on the rated PTCs is promised on the scheduled maturity date. Only the interest amount is promised on a monthly basis. This structural feature imparts significant liquidity in the transaction, as even a small amount of collections in the underlying pool contracts would be sufficient to meet the promised PTC payouts.

Additionally, there is cash collateral available in the transaction amounting to 9.00% of the pool principal amount. The cash collateral is adequate to meet promised interest payouts due to the PTC investors even in an unlikely scenario of no collections in the pool.

Performance of past rated pools: This is the first stand-alone PTC transaction of SVCL being rated by ICRA.

Analytical approach

The rating action is based on the analysis of the past performance of SVCL's portfolio till January 2019, performance of previously rated ICRA pools, 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.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation / Standalone	Not Applicable

About the company:

New Delhi-based S V Creditline Limited (SVCL) is a non-banking financial company-micro finance institution (NBFC-MFI) that was incorporated in 2008. It is promoted by Mr. Vijay Parekh (through Vans Pte Limited) and Mr. Sunil Sachdeva (through S V Corporation Pvt. Ltd). The company employs a five-member group lending methodology under the joint liability group (JLG) model, wherein the group members undertake the responsibility of approving the loans, disbursements and repayments

As on January 31, 2019, the company had presence in 229 branches in 131 Districts in 9 states with top 3 states i.e. Uttar Pradesh (44%), Madhya Pradesh (22%) and Bihar (8%) accounting for 74% of the total portfolio outstanding. Other states in the portfolio include Rajasthan, Haryana, Chhattisgarh, Punjab, Jharkhand and Uttarakhand.

SVCL reported a net profit after tax (PAT) of Rs. 1.07 crore in H1 FY2019 on a managed portfolio of Rs. 783.5 crore vis-à-vis a net loss of Rs. 51.74 crore on a managed portfolio of Rs. 873 crore in FY2018. Reported net worth was Rs. 89.12 crore as on September 30, 2018.

ICRA has a rating outstanding of [ICRA]BBB-(Stable) on the bank lines and NCD programme of S V Creditline Ltd.

Key financial indicators

	FY2018	H1 FY2019
Total income	133.5	74.3
Net interest income	22.3	20.4
Profit before tax	(58.9)	2.1
Profit after tax	(51.7)	1.1
Gross portfolio	873.0	783.5
Total managed assets	1,054.1	962.4
% Tier 1	13.4%	13.4%
% CRAR	22.4%	22.4%
Gearing	5.78	5.85
% Net profit / average managed assets	-4.8%	0.2%
% Return on net worth	-58.38%	2.39%
% Gross NPAs	7.86%	5.23%
% Net NPAs	3.08%	2.44%
Net NPA / net worth	15.67%	12.96%

Source: ICRA research; All values and ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					March 2019	-	-	-
1	MILESEC 2019	PTC Series A	46.41	46.41	Provisional [ICRA]A-(SO)	NA	NA	NA

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

Annexure-1: Instrument Details

Trust Name	Instrument Name	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Amount Rated (Rs. crore)	Current Rating
MILESEC 2019	PTC Series A	March 2019	10.50%	January 2021	46.41	Provisional [ICRA]A-(SO)

** Scheduled maturity and average life at transaction initiation; may change on account of prepayment*

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About ICRA Limited:

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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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