

September 19, 2019

## Standard Chartered Bank Limited: Rating reaffirmed for purchaser payouts under four mortgage loan assignment transactions

### Summary of rating action

Sl.	Trust name	Instrument*	Initial rated amount (Rs. crore <sup>1</sup> )	Amount O/s after last surveillance (Rs. crore)	Amount O/s after July-19 payout (Rs. crore)	Rating action
1	Mortgage Loan Pool March 2007- III [MLP Mar-07 III]	Purchaser Payouts	249.22	19.05	15.63	[ICRA]AAA(SO); reaffirmed
2	Mortgage Loan Pool March 2008 [MLP Mar-08]	Purchaser Payouts	46.38	3.15	2.54	[ICRA]AAA(SO); reaffirmed
3	Mortgage Loan Pool June 2008 [MLP Jun-08]	Purchaser Payouts	100.34	11.23	9.10	[ICRA]AAA(SO); reaffirmed
4	Mortgage Loan Pool August 2008 [MLP Aug-08]	Purchaser Payouts	50.85	4.00	3.29	[ICRA]AAA(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

ICRA has reaffirmed the rating for purchaser payouts under four mortgage loan assignment transactions originated by Standard Chartered Bank Limited (SCB), as tabulated above. The rating was reaffirmed on account of the high amortisation of the pools and the consequently healthy build-up of the credit enhancement cover for the balance life of these transactions.

A summary of the pools' performance till the collection month of June 2019 (July 2019 – payout month) has been tabulated below.

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

## Pool performance summary

Parameter	MLP Mar-07 III	MLP Mar-08	MLP Jun-08	MLP Aug-08
Months post securitisation	140	135	132	130
Pool Amortisation	93.73%	94.52%	90.93%	93.53%
Purchaser Payout Amortisation	93.73%	94.52%	90.93%	93.53%
Cumulative Collection Efficiency <sup>2</sup>	99.28%	98.30%	95.30%	95.71%
Loss-cum-90+ dpd <sup>3</sup> (% of initial Pool)	0.29%	0.60%	2.73%	1.32%
Loss-cum-180+ dpd <sup>4</sup> (% of initial Pool)	0.29%	0.60%	2.73%	1.32%
90+ dpd <sup>5</sup> (% of Balance Pool)	0.00%	0.00%	20.76%	18.56%
180+ dpd <sup>6</sup> (% of Balance Pool)	0.00%	0.00%	20.76%	18.56%
Cumulative Prepayment Rate	71.20%	66.60%	67.65%	75.66%
Average Monthly Prepayment Rate	0.84%	0.81%	0.85%	1.08%
Cumulative Cash Collateral Utilisation	6.45%	2.71%	15.75%	8.80%
Breakeven Collection Efficiency <sup>7</sup>	0.00%	0.00%	4.83%	0.00%
Cash Collateral (% of Balance Pool)	>100%	>100%	>100%	>100%
Excess Interest Spread (% of Balance Pool) for Purchaser Payouts <sup>8</sup>	-12.31%	N.A.	N.A.	N.A.

## Key rating drivers

### Credit strengths

- Good collection efficiency seen in the pools till June 2019 collection month
- High amortisation of the pool leading to lower uncertainty around performance of the balance pool contracts
- Low delinquency level in the pools
- Adequate cash collateral to cover the entire balance PTC principal in all four transactions

<sup>2</sup> (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

<sup>3</sup> Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a percentage of Initial Pool Principal

<sup>4</sup> Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a percentage of Initial Pool Principal

<sup>5</sup> Inclusive of Unbilled Principal portion of contracts delinquent for more than 90 days, as a percentage of Balance Principal

<sup>6</sup> Inclusive of Unbilled Principal portion of contracts delinquent for more than 180 days, as a percentage of Balance Principal

<sup>7</sup> (Balance Cashflows payable to investor – Cash collateral available)/Balance Pool Cashflows

<sup>8</sup> (Pool Cashflows – Cashflows to purchaser payouts)/Pool Principal outstanding

## Credit challenges

- Purchaser yield in MLP Mar-07 III pool linked to external benchmark, leading to negative excess interest spread (EIS) in the transaction

## Description of key rating drivers highlighted above

The pools have completed about 130-140 months post securitisation and were amortised by 90-95% by the July-19 payout month. Till date, these pools have been characterised by moderate to high monthly collection efficiency averaging around 90% in recent months, high cumulative collection efficiency of more than 95% and low delinquency build-up (180+ dpd, as a percentage of the initial pool size, was less than 3.0%) across all four transactions. The cash collateral utilisation in all the pools has been low to moderate. Subsequently, owing to the high amortisation of all the pools, the available cash collateral build-up is high.

Overall, the credit enhancement available for meeting balance payouts to the investors is sufficient to reaffirm the rating at the current level for 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.

## Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for loss and co-efficient of variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are given in the table below.

Sr. No	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Mortgage Loan Pool March 2007- III [MLP Mar-07 III]	0.1-0.5%	12-18% p.a.
2	Mortgage Loan Pool March 2008 [MLP Mar-08]	0.1-0.5%	12-18% p.a.
3	Mortgage Loan Pool June 2008 [MLP Jun-08]	1.0-3.0%	12-18% p.a.
4	Mortgage Loan Pool August 2008 [MLP Aug-08]	0.5-1.5%	12-18% p.a.

## Liquidity position: Strong

A cash collateral is available in the transactions. While a cash collateral of more than 100% of the PTC cashflow amount is available in three transactions i.e. MLP Mar-07 III, MLP Mar-08 and MLP Aug-08, the cash collateral cover is 95% of the

PTC cashflow for the MLP Jun-08 transaction. Assuming even 50% monthly collection efficiency in the underlying pool contracts in a stress scenario, the cash collateral would cover the entire PTC payouts for all the transactions.

## Rating sensitivities

**Positive triggers** – The rating could be upgraded if the purchaser payouts enjoy substantial cover from the available credit enhancements.

**Negative triggers** – Higher-than-expected cash collateral utilisation in the transactions could lead to a rating downgrade.

## Analytical approach

The rating action is based on the performance of the pools till July 2019 (payout month), the present delinquency profile of the pool contracts, the performance expected over the balance pool tenure, and the credit enhancement available in these transactions.

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

## About the company

SCB India (SCBI) is a branch of Standard Chartered Bank UK, which is part of the SCB Group. The ultimate parent company of the bank is Standard Chartered PLC, which is listed on the London Stock Exchange and on stock exchanges in Hong Kong and India. The Indian branch operations are conducted in accordance with the banking licence granted by the Reserve Bank of India (RBI) under the Banking Regulation Act, 1949. SCBI has been in operations for more than 160 years and offers a broad range of financial services through 100 branches in 43 cities. For the year ended March 31, 2019, SCBI reported a net profit of Rs. 2,168.55 crore on assets of Rs. 1,71,249 crore and regulatory capital adequacy of 15.46% (Tier I: 14.67%). The bank's loan book stood at Rs. 66,838 crore as on March 31, 2019 against Rs. 64,166 crore as on March 31, 2018. Its net NPA stood at 0.39% as on March 31, 2019, against 0.58% as on March 31, 2018.

In the past, ICRA has assigned ratings to PTCs/purchaser payouts under six transactions involving the bilateral assignment or securitisation of home loan receivables, originated by SCBI. One of the transactions has matured while a clean-up call was exercised in August 2015 for the other transaction.

### Key financial indicators (audited)

	FY2017	FY2018	FY2019
Total Income	12,268	11,462	12,342
Net Profit	2,440	1,911	2,169
Advances	68,629	64,166	66,838
Total Assets	1,44,989	1,39,264	1,71,249
% CET 1	13.43%	15.22%	14.67%
% Tier 1	13.43%	15.22%	14.67%
% Tier 2	0.62%	0.60%	0.79%
% CRAR	14.05%	15.82%	15.46%

Amount in Rs. crore; \*Audited; ^ Provisional

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

**Any other information: Not applicable**

### Rating history for last three years

S. No	Name of instrument	Current Rating			Month-year & Rating	Chronology of Rating History for the Past 3 Years			
		Type	Initial rated amount (Rs. crore)	Amount outstanding (Rs. crore)		Month-year & rating			
						19-Sep 2019	17-Aug 2018	26-Sep 2017	20-Sep 2016
1	Mortgage Loan Pool March 2007- III [MLP Mar-07 III]	Purchaser Payouts	249.22	15.63	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	
2	Mortgage Loan Pool March 2008 [MLP Mar-08]	Purchaser Payouts	46.38	2.54	[ICRA]AAA(SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	
3	Mortgage Loan Pool June 2008 [MLP Jun-08]	Purchaser Payouts	100.34	3.10	[ICRA]AAA(SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	
4	Mortgage Loan Pool August 2008 [MLP Aug-08]	Purchaser Payouts	50.85	3.29	[ICRA]AAA(SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	[ICRA]AAA (SO)	

### 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: Instrument details

Sl.	Trust Name	Instrument	Date of Issuance	Current Coupon Rate <sup>#</sup>	Scheduled Maturity Date	Amount after Jul-19 payout (Rs. crore)	Current Rating
1	Mortgage Loan Pool March 2007- III [MLP Mar-07 III]	Purchaser Payouts	Mar 2007	13.05%	Jan-36	15.63	[ICRA]AAA(SO)
2	Mortgage Loan Pool March 2008 [MLP Mar-08]	Purchaser Payouts	Mar 2008	8.85%	Feb-33	2.54	[ICRA]AAA(SO)
3	Mortgage Loan Pool June 2008 [MLP Jun-08]	Purchaser Payouts	Mar 2008	9.51%	May-34	9.10	[ICRA]AAA(SO)
4	Mortgage Loan Pool August 2008 [MLP Aug-08]	Purchaser Payouts	Jun 2008	9.82%	Mar-44	3.29	[ICRA]AAA(SO)

<sup>#</sup> Variable; Subject to change owing to change in the benchmark rate

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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.

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.

For more information, visit [www.icra.in](http://www.icra.in)

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