

February 13, 2018

TVS Credit Services Limited

Summary of Rated Instruments

Trust Name	Instrument*	Initial Amount (Rs. Cr)	Principal O/s after Dec-17 payout (Rs. Cr)	Rating Action
Gold Trust Oct-15	PTCs	75.78	15.73	Reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	4.36	4.36	Reaffirmed at [ICRA]A+(SO)
Titan Trust Mar-16	PTCs	41.21	14.81	Reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	1.96	1.96	Reaffirmed at [ICRA]A-(SO)
Silver Trust Mar-16	PTCs	61.16	18.96	Reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	2.45	2.45	Reaffirmed at [ICRA]A-(SO)
Silver Trust Jul-16	PTCs	47.49	23.94	Reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	1.78	1.78	Reaffirmed at [ICRA]A-(SO)
Silver Trust Feb-17	PTCs	55.50	38.15	Reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	2.22	2.22	Reaffirmed at [ICRA]A-(SO)

**Instrument details are provided in Annexure I*

Rating Action

ICRA has reaffirmed the ratings for PTCs and Second Loss Facility under 5 tractor loan securitisation transactions originated by TVS Credit Services Limited (TVS), as tabulated above.

Rationale

All the pools comprise of receivables from tractor loan contracts. The receivables have been assigned to the respective trusts at par and each trust has issued PTCs backed by the same.

A summary of the performance of the pools till November 2017 collection month has been tabulated below.

Parameter	Gold Oct-15	Titan Mar-16	Silver Mar-16	Silver Jul-16	Silver Feb-17
Pool Amortization (%)	79.24%	64.07%	69.01%	49.59%	31.26%
Cumulative collection efficiency (%) ¹	96.61%	90.69%	96.30%	96.11%	96.80%
Average 3 Month Collection Efficiency (%)	106.14%	95.24%	93.44%	96.47%	96.35%
Break even collection efficiency ² (%)	25.70%	55.89%	52.67%	67.55%	72.20%
Loss cum 90+ (% of initial pool principal) ³	2.65%	4.22%	1.67%	2.22%	1.03%
Loss cum 180+(% of initial pool principal) ⁴	1.55%	2.01%	0.91%	0.63%	0.32%
Cumulative CC utilization	0.00%	0.00%	0.00%	0.00%	0.00%
CC available (as % of balance pool)	75.88%	41.05%	45.21%	27.32%	20.37%
EIS over balance tenure (as % of balance pool)	9.05%	10.48%	9.70%	10.86%	13.03%

Key rating drivers

Credit Strengths

- Healthy level of cover from the available Cash Collateral (CC) and Excess Interest Spread for the balance PTC payouts.
- High Amortization of few of the pools leading to lower uncertainty around performance of the balance pool contracts;
- The breakeven collection efficiency all 5 pools is much below the Average 3 month collection efficiency.

Credit Weakness

- Low cumulative collection efficiencies and higher delinquencies have been observed for the Titan March-16 pool

¹ Cumulative collections till date / cumulative billings till date plus opening overdues

² It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance Cash flows payable to investor – Cash collateral available)/ Balance Pool Cash flows

³ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

⁴ POS on contracts aged 180+ dpd + overdues / Initial POS on the pool

Description of key rating drivers highlighted above:

The performance of all the pools except the Titan Mar-16 pool has been good with cumulative collection efficiency higher than 96% till November 2017 collection month. Though there had been some CC utilization across some of the pools post demonetization, it has been topped up and the cumulative CC utilization after the December 2017 payouts is zero for all the transactions. All pools except the Silver Feb-17 pools has amortised by over 49%. Thus, CC (as % of balance PTC payouts) has built up significantly in the transaction.

The Titan Mar-16 pool has been performing moderately weak with a cumulative collection efficiency of 90.7% after the November 2017 collection month and a Loss cum 180+ of 2% after December-17 payouts. However, the pool has amortized by 64% and hence CC (as % of balance PTC payouts) has built up significantly to 41% of the pool principal.

Overall, the credit enhancement available for meeting balance payouts to the investors – after downward reset of cash collateral in the pool is sufficient to reaffirm the ratings in the transaction. ICRA will continue to monitor closely the performance of this transaction. Any further rating action will be based on the performance of the pool and the availability of credit enhancement relative to ICRA’s expectations.

Key rating assumptions

ICRA’s cash flow modeling for surveillance of ABS transactions involves 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 the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator’s portfolio and rated pools, and also the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

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

Sr. No	Transaction Name	Expected Loss (% of balance pool principal)	Prepayment
1	Gold Oct-15	9% - 10%	8% - 12% p.a.
2	Titan Mar-16	10.5%-11.5%	8% - 12% p.a.
3	Silver Mar-16	6%-7%	8% - 12% p.a.
4	Silver Jul-16	6%-7%	8% - 12% p.a.
5	Silver Feb-17	4%-5%	8% - 12% p.a.

Analytical approach:

The rating actions are based on the performance of the pools till December 2017 (collection month), the present delinquency profile of the pool contracts, performance expected over the balance pool tenure, and the credit enhancement available in these transactions.

Links to applicable Criteria

[Rating Methodology for Securitisation Transactions](#)

**About the Company:**

TVSCSL, a Chennai-based non-deposit taking NBFC incorporated in November 2008, is part of the TVS group of companies. TVS Motor Services held 86% equity in the company as on March 31, 2017, while TVSM held about 7%. Other shareholders include, PHI Research Private Limited, HDFC Bank Limited and PHI Capital Services LLP, which held 2%, 3% and 2% respectively. The company has operations spread across 21 states and union territories in India. The company's retail loan portfolio stood at Rs. 5,155 crore (provisional) as on June 30, 2017.

TVSCSL reported a net profit of Rs.87.5 crore on a managed asset base of Rs.5,758.9 crore in FY2017 compared to a net profit of Rs.50.7 crore on a managed asset base of Rs. 4,759.1 crore in FY2016. The company's net profit stood at Rs.29.8 crore on a managed asset base of Rs. 5,851.7 crore in Q1FY2018.

ICRA has rated 9 tractor loan pools originated by TVS CSL till date. The observed delinquencies in the pools have been low to moderate till the Dec-17 payouts. ICRA has a rating outstanding of [ICRA]A+(Stable) and [ICRA]A1+ on the long-term bank limits and commercial papers respectively of TVSCSL.

Key financial ratios

	FY2016	FY2017
Total Income	828.5	1114.8
PAT	50.7	87.5
Net worth	541.1	703.2
Total Managed Portfolio	4,157.9	5,262.8
Total Managed Assets	4,759.1	5,758.9
Return on Managed Assets	1.3%	1.7%
Return on Net worth	10.9%	14.1%
Gearing	5.9	6.0
Gross NPA%	1.3%	2.6%
Net NPA%	0.6%	1.7%
Net NPA/ Net worth	3.7%	12.0%
CAR%	18.0%	18.3%

Amounts in Rs. Crore;

Source: TVSCSL and ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

**Rating history for last three years:
Table:**

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating			
				February 2018	April 2017	September 2016	February 2016	October 2015*
1.	Gold Trust October 2015	PTC Series A1	15.73	[ICRA] AAA (SO)	[ICRA] AAA (SO)	[ICRA] AAA (SO)	[ICRA] AAA (SO)	Provisional [ICRA]AAA (SO)
		Second Loss Facility	4.36	[ICRA]A+ (SO)	[ICRA]A+ (SO)	[ICRA]A+ (SO)	[ICRA]A- (SO)	Provisional [ICRA]A- (SO)

* Initial Rating assigned

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				February 2018	April 2017	August 2016	April 2016*
2.	Titan Trust March 2016	PTC Series A1	14.81	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)	Provisional [ICRA]AAA(SO)
		Second Loss Facility	1.96	[ICRA] A+(SO)	[ICRA]A- (SO)	[ICRA]A- (SO)	Provisional [ICRA]A-(SO)

* Initial Rating assigned

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				February 2018	April 2017	August 2016	April 2016*
3.	Silver Trust March 2016	PTC Series A1	18.96	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)	Provisional [ICRA]AAA(SO)
		Second Loss Facility	2.45	[ICRA] A+(SO)	[ICRA]A- (SO)	[ICRA]A- (SO)	Provisional [ICRA]A-(SO)

* Initial Rating assigned

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				February 2018	April 2017	March 2017	October 2016*
4.	Silver Trust July 2016	PTC Series A1	23.94	[ICRA] AAA(SO)	[ICRA] AAA(SO)	[ICRA] AAA(SO)	Provisional [ICRA]AAA(SO)
		Second Loss Facility	1.78	[ICRA] A+(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)

* Initial Rating assigned

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating		
				February 2018	July 2017	April 2017*	
5.	Silver Trust Feb 2017	PTC Series A1	38.15	[ICRA] AAA(SO)	[ICRA] AAA(SO)	Provisional [ICRA]AAA(SO)	
		Second Loss Facility	2.22	[ICRA] A+(SO)	[ICRA] A-(SO)	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

Annexure I
Details of Instruments

Sr. No.	Issue Name	Instrument	Month of Issuance	Coupon Rate (p.a.)	Scheduled Maturity Date	Initial Amount (Rs. Crore)	Amount after Dec-17 payout (Rs. crore)	Current Rating
1.	Gold Trust October 2015	PTC Series A1	Oct-15	8.00%	Jan-20	75.78	15.73	[ICRA]AAA(SO)
		Second Loss Facility		-		4.36	4.36	[ICRA]A+(SO)
2.	Titan Trust March 2016	PTC Series A1	Mar-16	8.06%	Sep-20	41.21	14.81	[ICRA]AAA(SO)
		Second Loss Facility		-		1.96	1.96	[ICRA]A-(SO)
3.	Silver Trust March 2016	PTC Series A1	Mar-16	8.08%	Jul-20	61.16	18.96	[ICRA]AAA(SO)
		Second Loss Facility		-		2.45	2.45	[ICRA]A-(SO)
4.	Silver Trust July 2016	PTC Series A1	Sep-16	8.00%	Jan-21	47.49	23.94	[ICRA]AAA(SO)
		Second Loss Facility		-		1.78	1.78	[ICRA]A-(SO)
5.	Silver Trust Feb 2016	PTC Series A1	Mar-17	6.25%	Aug-21	55.50	38.15	[ICRA]AAA(SO)
		Second Loss Facility		-		2.22	2.22	[ICRA]A-(SO)

per annum payable monthly

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